

# Nation's Business<sup>®</sup>

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**Speeding The Return  
Of Injured Workers**

**Why Car And Truck  
Leasing Is Booming**

**Negotiating Terms  
With Sales Reps**

## A Good Time To Export



*Entrepreneurs like Wendy Wigtil  
are finding that opportunities  
abroad have never been greater.*

MAY 1994



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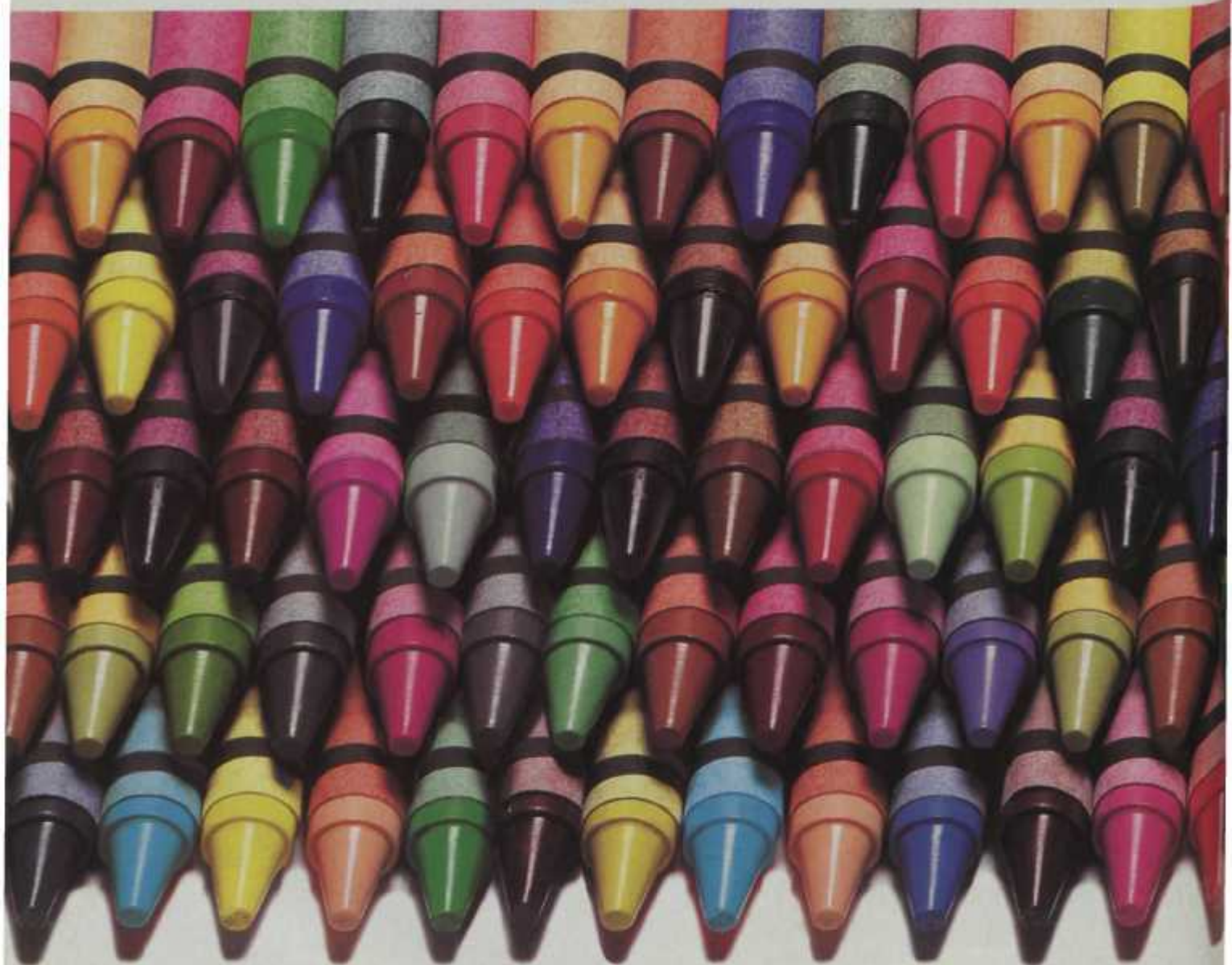
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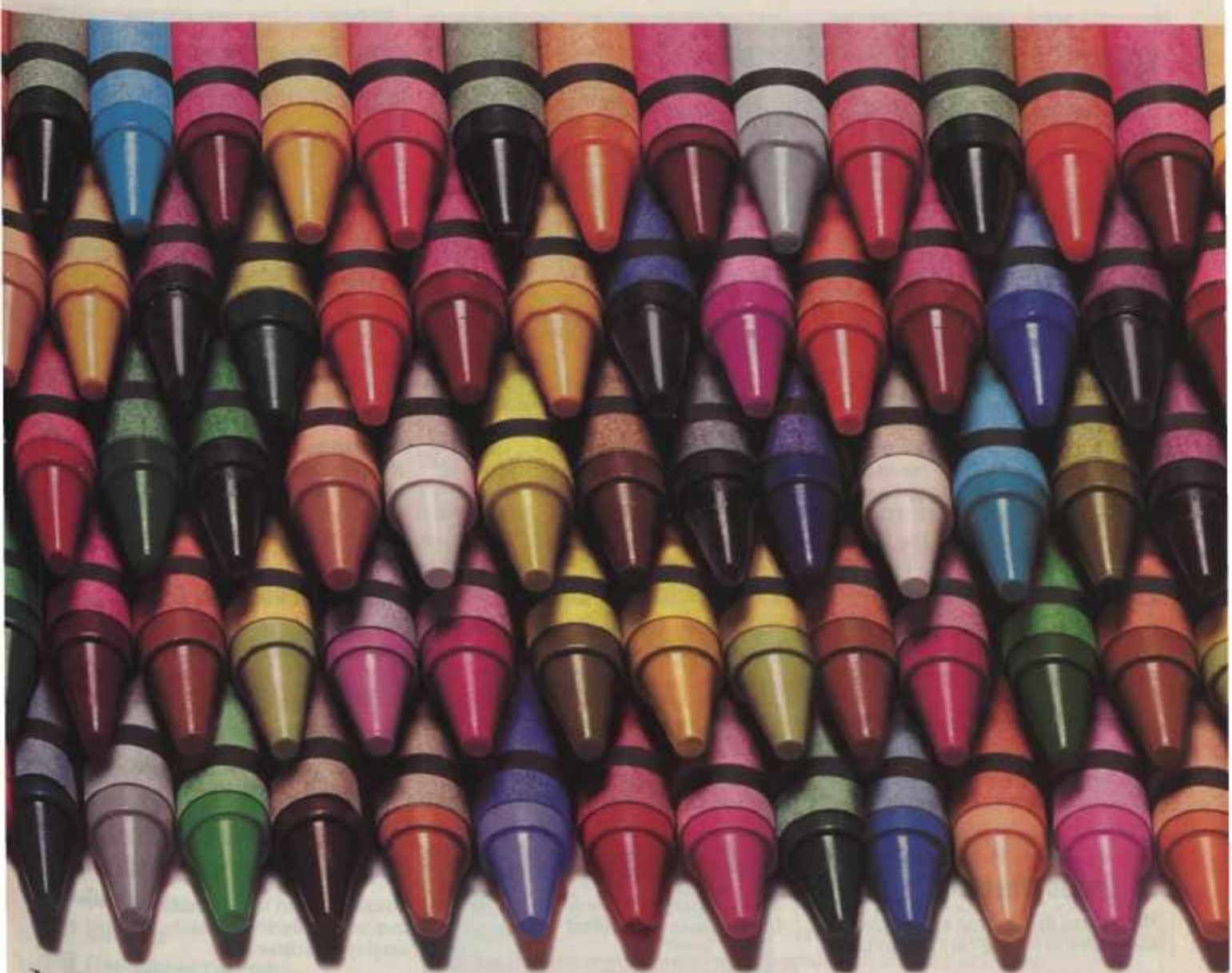
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PHOTO: ROBERT HOLMQUIST

Marketing experts and overseas representatives of export trading companies, like these at Connell Bros., in San Francisco, can help a small company sell its products and services abroad. Cover Story, Page 22.



PHOTO: STERRY ADAMS

Continual worker training complements Ruppert Landscape's customer-service efforts. Training, Page 69.

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# Editor's Note

## GATT And NAFTA Spell Opportunity

Terms like GATT and NAFTA may sound as if they are just more incomprehensible Washington jargon. But, as our cover story this month will inform you, they have very real significance to small firms in search of new customers for products that include the reusable coloring book pictured here and sold overseas by Wendy Wigtil, who appears on our cover.

As you will read, historic revisions to the General Agreement on Tariffs and Trade (GATT) and adoption of the North American Free Trade Agreement (NAFTA) are among the reasons why export prospects for small businesses have never been better. Our report by Associate Editor Roberta Maynard explains why the idea of going global is not as daunting as you might think. There are many sources of information and assistance. The best place to start, of course, is this cover story (Page 22); it provides the basic background and alerts you to many other valuable resources.



PHOTO: ROBERT HOLMQUIST

Construction-company owner Claudette Weber thrives in a male-dominated industry. Making It, Page 16.

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On the cover: Maryland toy maker Wendy Wigtil, dockside with samples of the products she exports.

Cover Design: Hans A. Baum  
Cover Photo: ©Ken Touchton

The instant resources available to you aren't limited to this month's cover story. Our new MarketFAX service can quickly provide you with many of our current and past articles on subjects of top concern in running a small firm. For a list of articles now available by MarketFAX,



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*Robert T. Gray*

Robert T. Gray  
Editor

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# Nation's Business

# Letters

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## When Government And Media Manufacture Crises

Your March issue, including your obnoxious cover, displayed four images of hands holding guns. Aren't you promoting the fad-fed notion that guns equal crime? Consider the crime explosion in Russia, where private gun ownership has been illegal for a long time.

Obviously the reason "fear of crime

to protect their assets, as some experts recommended in an accompanying story. "Should You Be Armed?" We would rather have paying clients, not deceased former clients.

Also, the cost of theft insurance for the suburban Washington, D.C., jeweler you interviewed—\$50,000—doesn't reflect the average cost of insurance that we provide to a significant portion of the jewelry industry. Insurance coverage for protection against theft usually averages about 2 percent of the replacement value of inventory. A store of a more typical size with an inventory worth \$500,000 might pay \$10,000 in premiums.

Ronald R. Harder, President  
Jewelersmutual Insurance Co.  
Neenah, Wis.



seems to be at an all-time high," statistical evidence notwithstanding, is that the government and the media are fabricating crises to suit their own purposes.

Richard N. Rife  
The Dalles, Ore.

## Thugs And Thieves

On a world scale, we practice the theory that a strong defensive capability and a willingness to use force when necessary ensure peace and security. While at the same time, at home, we pretend that if we act weak and meek, we will be safe from thugs and thieves. Ever-rising violent crime in our country illustrates an unalterable law of nature: The strong survive, while the weak are killed and eaten.

Michael P. Lardner  
Executive Vice President  
Lardner Elevator Co.  
Detroit

## Don't Rely On A Firearm

Our insurance company specializes in providing coverage exclusively to the jewelry industry and to owners of jewelry, and we found your cover story on crime interesting. We don't, however, encourage our jewelry store clients to use guns

## A Defensive Weapon

Gerald Arenberg, executive director of the National Association of Chiefs of Police, says the only purpose of a gun is to kill. I think the purpose of a defensive weapon is to stop someone from doing harm to you or yours. The intent is never to kill but instead to stop the assault.

Dr. Michael H. Diamond  
Fellow of the American College  
of Surgery  
St. Petersburg, Fla.

## An Effective Deterrent

I am in the sixth grade at Waldron Elementary in Waldron, Ind. I think a business has a right to be armed with a gun, but no one in the company should use it unless he has to. I think a business owner being robbed could make threats and say he has a gun.

Reading about the 16-year-old who was shot trying to hold up a store with a realistic-looking plastic gun makes me think that threatening use of a gun is the best way to go.

Annette Kolkmeier  
Waldron, Ind.

## Substantial Rewards For Manufacturers

I cringed at your advice to would-be entrepreneurs in "Advice For The Ambitious," which accompanied "Out On A Limb And On Their Own" [March]. You said it is better to sell information—your expertise—rather than things because selling information costs less and brings more profits.

Without elaborating on the disturbing trends of service vs. manufacturing growth, I will say that the greater risk of



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selling "things" seems to entail a greater rate of return (more profits) for those who are successful.

Substantial wealth can be quickly obtained for the ambitious who champion successful product ideas. When I need it, I simply pay for "expert" information on an hourly basis.

Mike Gausling

President

SolarCare Technologies Corp.  
Bethlehem, Pa.

[Editor's Note: Mike Gausling's points about selling products are correct. Our advice was aimed at a narrow category of entrepreneurship: executives starting their own businesses. For them, investments in plant, machinery, warehouses, and other facilities needed to start or buy a manufacturing business could be prohibitively high, while the expertise they had built up in their previous positions could be readily saleable.]

## Four Warning Signs Of Malignant Melanoma

As a survivor of malignant melanoma, I was happy to see the article on skin cancer in January's To Your Health column. As the author said, too many people have an

"it can't happen to me" attitude. Here are four warning signs of a cancerous mole: A) asymmetrical shape; B) border (irregular edge; mine was scalloped); C) color (multi-colored; mine was black and brown); D) diameter (larger than that of a pencil eraser). Knowledge of these ABCD warning signs helped me catch this deadly form of cancer in its earliest stage.

Norma Thatcher

A/R Management, Inc.  
Warrenton, Va.

## Just An Accident Away From A Disability

In their letters in the March issue, Joe D. Bryant and Robert Rex said the Americans with Disabilities Act posed an unwarranted burden on business. Mr. Bryant, Mr. Rex, and millions of Americans, however, are just an accident or a health-care crisis away from having a disability. If we suffer a spinal-cord injury, a heart attack, a stroke, or some other disabling condition, the chances that we will survive are very good. The chances are also very good that we will need some accommodations.

Just because we suddenly can't walk up steps doesn't mean we should have to give up everything at the top of those steps. The Americans with Disabilities Act says we don't have to.

James B. Adams

Vocational Counselor  
Paducah, Ky.

## Your Mission Statement —On The Air

The February article on mission statements, "Put Your Purpose In Writing," had many excellent points, especially the statement that creating, developing, or even revising a mission statement often forces management to think strategically.

An often-overlooked medium that can bring a company's mission statement to the attention of the public is radio. Radio can creatively yet cost-efficiently put that message in front of many more potential new customers.

Debbie Whitaker-Platt  
General Sales Manager,  
WJXQ-FM and WIBM-FM  
Regional Radio Corp.  
Holt, Mich.

## Savvy Salespeople Can Stem Bogus Returns

An article in the February issue, "When Shoplifters Ask For Refunds," raises an interesting question: Why not hire (and better train) more salespeople to deter this and other forms of external shrinkage?

Jack Abelson  
Those Abelson & Associates  
Shorewood, Minn.

## Insist On Products Made In America

In his February letter, George Ewen says most of his children's Christmas toys were manufactured in Pacific Rim countries and asks why more products aren't made in America. The answer is that people like him buy things made abroad instead of at home. I, for one, have had nothing but success with American cars.

If Ewen and a million others asked for American-made goods, the products would be made in America by Americans. Consumers are responsible for our negative balance of trade.

Walt Buescher

Pigeon Forge, Tenn.



ILLUSTRATION: MICHAEL BLOOM

## Pride In Workmanship

For spring '94, my women's specialty store has received from two companies shipments of apparel with large hang tags that say, "Made in America." I couldn't put either shipment on display, however, because construction was so bad. This has happened before. Is there no pride in U.S. workmanship?

Vernice Mensing, Owner  
Mensing's—The Store  
for Today's Woman  
Blue Earth, Minn.

## Corrections

■ An item on tax software in March's Small-Business Computing said CA Simply Tax is only available in Windows format. The software is also available in DOS format.

■ In a short article that accompanied "Child-Care Options For Small Firms" in the February issue, the name of Burud & Associates, Inc., of Pasadena, Calif., was misspelled.

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# Entrepreneur's Notebook

By Sharon D'Orsie

## How To Develop Top-Notch Talent

In my company's second year of business, I made the worst hire of my life. The person simply couldn't make the transition from the corporate world to consulting. In just over six months, this one hiring mistake cost my company \$50,000, including recruiter's fees, project cost overruns, and severance pay.

If you survive a blunder like that, you learn from it. At Eagle Environmental Health Inc., we have.

Our company, based in Houston, evaluates and controls chemical, physical, and biological hazards in the workplace and the community.

The company, started in 1989, has 14 full- and part-time employees. Last year, revenues were about \$2 million; since opening, the company has been profitable in all but two months.

The only factor limiting Eagle's continued growth is the challenge of finding technically competent professionals with top-notch business skills. While it is tempting to hire quickly to take advantage of expansion opportunities, it is better to grow by bringing in the right people. As a result, finding and developing talent is the most critical part of my job.

Because of our special needs, the labor pool is particularly shallow. Typically, we hire people with at least two technical degrees and above-average scholastic performance. We need people who can understand manufacturing and production and solve problems on a molecular level.

These requirements must be coupled with business sense; we need people who can be both technicians and salespeople. They must work effectively to ensure projects are done on time and on budget.

Plenty of companies want the few folks that meet our standards. As a result, my partner, Betsy Green, and I frequently hire people who meet basic requirements but who can grow into top-flight profes-



PHOTO: GABRIEL BLUMEN-SILVER STAR

*Investing in personnel is fundamental to the continued profitability of Sharon D'Orsie's consulting firm.*

sionals. To that end, Eagle spends an outrageous amount of money on everything from paying employees' dues in professional associations, to footing the bill for successfully completed college courses, to sending people through business and management classes, all to improve the all-around performance of our staff.

A lot of young companies avoid doing that because of the expense or because they fear developing talent only to lose it to other companies. At Eagle, it's a cost of doing business. By investing in our personnel—even if we lose some of them—we ensure that most of our hires turn out right and that the company can move forward profitably.

Making the right hires is crucial. Here are what I consider key elements in finding and developing good people:

- Identify—relative to the job being filled—the major, nonnegotiable requirements. It might be essential that the person speak English, or you might need someone who is teeny-tiny because the job involves modeling small shoes. Whatever it is, determine what you must have; the rest can be developed.

- Do a professional background check, and talk to references. Most people in

business have either heard of or, worse yet, lived through instances in which workers were hired with bogus degrees and credentials.

- Stop looking for Mr. or Ms. Perfect. Be prepared to spend money and time to develop the skills an employee needs to be truly productive.

- During an employee's career—but especially in the first year—do frequent and formal performance reviews. Any problems with work should be documented, and solutions should be proposed with the employee.

- Don't be afraid to fire people. Do everything you can to make a wise decision, and provide every opportunity for it to work, but

acknowledge that hiring people is still a crapshoot. You might kiss a lot of frogs before you find a prince.

Every entrepreneur is going to make a few bad personnel choices, even when he or she does everything right. Not growing until you have strong, competent, self-reliant people is a strategic decision that pays off in the long run.

### What I Learned

*You can give up on finding Mr. or Ms. Perfect. Instead, look for technically astute people who can, through a little nurturing, grow into top-flight professionals. As those employees grow, so does your company.*

Sharon D'Orsie is president and founder of Eagle Environmental Health Inc., a Houston-based industrial-hygiene and occupational-health consulting firm. She prepared this account with Nation's Business Contributing Editor Charles A. Jaffe.

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.



How To Develop Top-Notch Talent

Jim Aerts, President · Aerts Construction Company, Inc. · St. Petersburg, Florida



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# Dateline: Washington

*Business news in brief from the nation's capital.*

## ADVOCACY

### State Meeting Dates Set For White House Conference

Dates and locations have been determined for state meetings leading up to the White House Conference on Small Business in Washington in 1995.

Small-business people who attend the state meetings will elect 1,130 White House Conference delegates and begin shaping the national conference agenda. Subsequently, 695 additional delegates from around the country will be appointed by President Clinton, members of Congress, and state governors.

Anyone who owns, operates, or works for a business with fewer than 500 workers is eligible to become a national delegate representing the state in which he or she resides. Generally, delegates will have to pay their own way to Washington, D.C.

Past conferences have produced positive changes in Washington, including passage of the Regulatory Flexibility Act of 1980, which gave small firms regulatory relief.

For more information about any of the state meetings listed at the right or about the national conference, to be held June 11-15, 1995, call the White House Conference on Small Business office at (202) 724-0891.

—Laura M. Litvan



#### JUNE

- 2 Wilmington, Del.
- 9 Nashua, N.H.
- 14 Casper, Wyo.
- 21 Milwaukee
- 27 Billings, Mont.
- 30 Boise, Idaho

#### JULY

- 6 Sioux Falls, S.D.
- 12 Bismarck, N.D.
- 14 Minneapolis
- 19 Charleston, W.Va.
- 21 Columbus, Ohio
- 25 Des Moines, Iowa

#### AUGUST

- 1 Salt Lake City
- 9 Omaha, Neb.
- 11 Wichita, Kan.
- 16 Springfield, Ill.

#### SEPTEMBER

- 1 Indianapolis
- 9 Louisville, Ky.
- 13 San Juan, Puerto Rico

#### NOVEMBER

- 9 Burlington, Vt.
- 10 Portland, Maine
- 15 Danvers, Mass.
- 16 Anchorage, Alaska
- 17 Providence, R.I.
- 22 Honolulu
- 29 Cromwell, Conn.

#### DECEMBER

- 1 Washington, D.C.
- 6 Virginia Beach, Va.
- 8 King of Prussia, Pa.
- 13 Pittsburgh
- 15 Buffalo, N.Y.

#### JANUARY 1995

- 4 Nashville, Tenn.
- 10 New York
- 12 Baltimore
- 17 Columbia, S.C.
- 19 Atlanta
- 24 Raleigh, N.C.
- 26 Birmingham, Ala.
- 31 Jacksonville, Fla.

#### FEBRUARY

- 2 Miami
- 7 Jackson, Miss.
- 9 New Orleans
- 14 St. Louis
- 17 Oklahoma City
- 21 San Antonio, Texas
- 23 Little Rock, Ark.
- 26 Arlington, Texas

#### MARCH

- 3 Albuquerque, N.M.
- 7 Phoenix, Ariz.
- 9 Las Vegas, Nev.
- 14 Los Angeles
- 16 San Francisco
- 21 Seattle
- 23 Portland, Ore.
- 29 Denver

#### APRIL

- 4 East Brunswick, N.J.
- 6 Cleveland
- 11 Chicago
- 13 Dearborn, Mich.

## TAXES

### The IRS Offers Classes For Small Businesses

The Internal Revenue Service is assisting small-business owners who wish to learn more about their rights and responsibilities under U.S. tax laws and regulations.

The assistance is in the form of classes, which include instruction and practical exercises. Those who attend will be taught, among other things, the advantages and disadvantages of various forms of business organization; how to prepare tax forms; what records to keep and how to maintain them; how to use federal tax-deposit coupons; and what additional assistance is available from the IRS and other federal, state, and local agencies.

The classes are part of the Small Business Tax Education Program (STEP), a free or low-cost service of the IRS in cooperation with schools, business associations, and government agencies. For information on classes in your area, call the IRS toll free at 1-800-829-1040. Stay on the line, and ask for the taxpayer education coordinator.

—Joan C. Szabo

## INTERNATIONAL TRADE

### Nations To Address Environmental Concerns

The United States and nearly two dozen other countries that signed a major multilateral trade pact have agreed to work toward a supplemental accord to address environmental concerns.

The plan is aimed in part at discouraging environmental groups from working against ratification of the Uruguay Round agreement of the General Agreement on Tariffs and Trade (GATT), which was concluded by 117 countries in December.

Participants in the new effort would work to achieve a mutually acceptable balance between promoting trade and protecting the environment. Environmental organizations had wanted their concerns to be addressed in the GATT agreement itself.

The proposal, which is subject to approval by senior GATT officials, provides for creation of a standing committee on trade and the environment.

This panel would study trade rules and procedures in light of environmental concerns and make remedial recommendations

it deems appropriate to the World Trade Organization, based in Geneva. The World Trade Organization is a trade governing body established at the conclusion of the GATT trade talks last year.

The committee's membership is open to all GATT members. The committee must report its findings to the World Trade Organization in 2½ years.

The U.S. business community is supporting the December GATT agreement as an important step toward attaining a more open world trading system.

And many business organizations, including the U.S. Chamber of Commerce, have endorsed additional measures to enhance the value of GATT.

For example, the Chamber has called for conclusion of ongoing market-access negotiations concerning several industrial sectors. Finalizing these talks, says the Chamber, would expand export opportunities for many American businesses. The Chamber has also called for detailed language that would provide for monitoring and implementing the agreement by the U.S. government.

—Roberta Maynard



# Managing Your Small Business

*Resuming an interrupted education; keeping a forced exit peaceful; accommodating the disabled.*

By Roberta Maynard

## EDUCATION

### Back In School, Still In Business

Sometimes small-business owners miss out on the education they had planned for themselves because they had to run a business, but many CEOs are finding ways to go back to school.

David Rogers, 47, co-owner and president of two companies in Clare, Mich., left college upon the death of his father and took over the operation of his father's business. That firm later became Rogers Athletic Co., which manufactures football training equipment. Rogers' other company is Stage-Right Corp., which makes stage products for musicians.

For Rogers, who is also busy with his eight children, a classroom education was not possible. He recently found, however, that his options for schooling were not limited to classes at university and community college campuses; also available are courses via television.

Last fall, Rogers began taking business classes offered on cable TV from Mind Extension University (ME/U): The Education Network, based in Englewood, Colo. ME/U offers accred-



PHOTO: © THOMAS DENHART

On course again toward a college degree, David Rogers has gone back to class—via TV—while he runs two firms.

ited degree programs; courses are taught by professors from 25 American universities. Students watch scheduled broad-

casts and take exams at test sites that include nearby high schools and public libraries.

Rogers is working toward a bachelor of science degree in business administration. His courses cover issues pertinent to today's workplace, including human-resources management, ethical decision making, and organizational behavior.

He is also planning to take courses in international business in preparation for exporting his products, and he is thinking about continuing on for a master's degree.

Going back to school was a personal goal for Rogers, not a career imperative. "I always wanted to continue my studies, but finding a way to spend time with my family, run two businesses, and attend college was close to impossible," he says. "Now, I videotape my courses and watch them any time I get the chance. Doing this takes a certain amount of discipline, but it has been stimulating."

For more information about Mind Extension University, call 1-800-777-MIND, or 1-800-777-6463. Or contact local colleges to inquire about similar off-campus programs.

## WORKPLACE

### Avoiding Worker Violence Over Terminations

A manager's mishandling of a worker's termination can result in a violent outburst in the workplace. To avoid this, managers should use a consistent, sympathetic approach when delivering the news to the departing employee, says Margaret Newborg, executive vice president of the Ayers Group, a human-resources management consulting firm in New York City.

Managers who make mistakes when terminating an employee typically err in one of two ways: They either do too much talking to try to ease their own discomfort, or they appear unnecessarily cruel and curt because they simply can't handle the emotion of the situation, Newborg says.

"You want to make sure you get to the news early in the conversation and deliver the message directly," she says. "Do it

humanely but firmly and without ambivalence."

Sending an ambiguous message is a common problem that results from a manager's need to feel better about the termination. In an effort to ease the blow, the manager may hold out some possibility of transfer or return at a later date. Suggesting that there is such hope when in fact there is none will only create bad feelings.

Managers should avoid sympathizing too much with the employee or airing their own frustrations. "It is also counterproductive to reminisce or talk about past times, or to get into a discussion of past performance," Newborg says. "Simply say the termination is the result of a careful decision by management." At this point, the manager can best help the employee by helping the person focus on the future, she says.

The employee should then meet with

the person in the company who handles employee benefits. This person should advise the employee about health-insurance options, remaining leave, and related information.

If outplacement services are to be provided, even if only in a one-time group setting, a representative of the outplacement firm should be notified before the termination and be on hand, if possible. If the worker has shown tendencies toward violence in the past, alert the person who handles security for your company or the local police about the termination meeting.

Incidents arising out of a firing have occurred as much as a year after the termination, Newborg says. This is most likely in cases where the person has been unable to find employment. "There is no way to anticipate this," Newborg says. An employer's best defense, she says, is to make every effort to show respect for the individual during the exit process.



## CUSTOMER SERVICE

## How To Check On Your Firm's Accessibility

Donna Parrish is happy to say that her Lazy H Chuck Wagon and Western Show in Golden, Colo., is one of the Denver area's most accessible restaurants to the disabled. She discovered this last summer when a group from the National Multiple Sclerosis Society, in New York, was considering her facilities for an event.

After visiting the Lazy H, which offers Western fare and stage entertainment for up to 650 people, the group awarded Parrish a decal for accessibility. The award is part of its new program called PAVE (Project Access: Visibility and Education). This free program is designed to help businesses find economical ways to accommodate customers with disabilities.

Under the Americans with Disabilities Act, public facilities, including restaurants, must be made accessible to people with disabilities, provided the changes do not pose an undue burden on the business.

A firm can call an MS Society office to arrange for an inspection of the company's premises by a team of MS-sponsored volunteers, who check on factors affecting patrons with disabilities. A busi-



PHOTO: G. JAMES COOK

At the Lazy H Western-style restaurant, owner Donna Parrish tends to the menu, the staff—and accessibility for the disabled.

ness that is found able and eager to serve customers with disabilities is awarded a decal for window display. The sticker bears a bright red check mark and says, "We Welcome Patrons With Disabilities."

When Parrish and her husband, Jesse, acquired the building to house the restaurant six years ago, they didn't have to alter the premises to make it user-friendly; it has concrete floors and no stairs. Parrish says she is sure customers

least one parking space near the entrance—and clearly designated for the disabled—for every 25 regular spaces in a lot. Telephones should be push-button and not enclosed in a booth, and the coin slot should be 34 to 44 inches above the floor.

If you are interested in arranging for a free PAVE inspection, contact a local chapter of the National Multiple Sclerosis Society, or call Arney Rosenblat in the national office at (212) 476-0436.

## WORK FORCE

## Better Morale Typically Means Better Employees

In most work environments, it's not hard for managers to see if they have morale problems. Workers stop contributing suggestions and ideas; they become cynical and apathetic.

"In small companies, workers' stress, and resulting low morale, stems from reasons other than fear of job loss," says Ellen Schechter, senior human-resources consultant with the Council on Education in Management, in Walnut Creek, Calif. "It's more likely to be the result of inconsistent policies and practices that often result in disparate treatment."

A good way to improve morale, Schechter says, is through employee recognition. This doesn't have to be expensive, but it does have to take into account what your workers value.

"Don't assume that everyone wants money more than anything," she says. "Today, with their busy schedules, people need and want time off."

Treating someone to a house cleaning, for example, can make life easier both at work and at home. You can also recognize someone for doing a job well or putting in extra hours by giving them a gift certificate or taking them to dinner.

"No one will care as much about the

business as the business owner," Schechter says. "That doesn't mean employees don't have a certain pride in their work. Recognition goes a long way; it makes employees more willing to go the extra mile for the company."

By the same token, she says, attempts at recognition can be overdone. "Be careful not to express your appreciation in a routine way that applies to everyone, such as appearing every Thursday afternoon with a blanket appreciation speech. The effort must be person-directed and sincere, or it will do more harm than good. Don't treat performers the same as non-performers."

Employers can also show employees

they care by taking advantage of free public-health services in their communities, such as cholesterol and blood-pressure screening, which can be done at the work site.

Small companies can cooperate to subsidize aerobics classes. Or they can work with community colleges to provide low-cost services to employees, such as training or information on business or health topics.

"When morale is good," says Schechter, "we see an absence of problems in the workplace: fewer employee complaints, less abuse of sick leave, fewer injuries, and less illness. It's not a feel-good issue, but a bottom-line issue."

## NB TIP

## Healthy Workers

May 8 to 14 has been designated Running and Fitness Week by the American Running and Fitness Association, in Bethesda, Md. The organization is encouraging employers to help their workers achieve a healthier lifestyle through better nutrition and regular exercise. When a company's employees are healthy, the group says, absenteeism declines, medical premiums drop, and worker performance improves.

Campaigns you might undertake in

Fitness Week include emphasizing a specific health-related topic of importance to your workers, such as smoking awareness, stress management, or choosing an exercise program; inviting a local health official to talk with employees; or offering fitness brochures, which are available free from most health associations and hospitals.

For more information about increasing awareness about good health in the workplace, call the American Running and Fitness Association at 1-800-776-ARFA, or 1-800-776-2732.



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# Making It

*Growing businesses share their experiences in creating and marketing new products and services.*

## Building Blocks Of Success

By Steven B. Kaufman

**C**laudette Weber has never had it easy. She was a mother and a high-school dropout at the age of 17. By 21, she was divorced with three children.

She eventually went to work in the general contracting business, doing a variety of successively more demanding jobs, starting as a secretary and later working as an estimator, a project manager, chief financial officer, and executive vice president.

In April 1980, with only \$2,500 in savings and an old Volvo station wagon, she founded Brero Construction Inc., a Santa Clara, Calif., general contracting firm. Now, at 51, Weber is thriving in the male-dominated construction industry. Brero Construction (Weber's maiden name is Brero) is on track to post a record

\$23 million in revenues this year and is a finalist—with teammate M.A. Mortenson Co., a national general contracting firm based in Minneapolis—in competition to build a \$100 million state office building in Oakland, Calif.

Brero Construction is the largest woman-owned general contracting firm in the U.S., according to the Women Construction Owners and Executives Association. It is also the nation's 124th-largest Hispanic-owned business, according to *Hispanic Business* magazine. Weber is of Spanish and Italian descent.

It is no surprise that Weber—who married her second husband, Dan Weber, a Santa Clara subcontractor, 18 years ago—is a success. She thinks nothing of working nearly 70 hours a week and tells of the "adrenalin rush" she feels the day a

project bid is due. Hundreds of subcontractors, worried that the information may somehow leak, typically submit their bids to Weber and other general contractors only an hour or two before the deadline. In essence, Weber and others must rely on instinct in bidding and taking responsibility for multimillion-dollar projects. "You have to be at least a little insane to do this work," she says.

Primarily a government contractor, Weber receives mandated, preferential treatment from some government agencies as both a minority-group member and a woman, and she freely acknowledges "the advantage of being disadvantaged." But while she may receive favored treatment, she can seldom land a job without being low bidder.

For many federal contracts, a low bid isn't required for a minority "set-aside." Weber, however, wins much of her business from the state of California, counties, and municipalities, which have minority "goals," instead of set-asides. This means she's in competition with contractors who

only have to show a good-faith effort to meet the goal. If a contractor shows such effort yet fails to meet the goal—but is the low bidder—then it is awarded the contract.

To bid on the \$100 million Oakland project, M.A. Mortenson was required to hire minority- or woman-owned contracting companies to perform some of the work. After a six-month search, Charlie Anderson, general manager of M.A. Mortenson's Northern California branch, decided to co-bid the project with Brero Construction. "Claudette is a formidable talent with superlative business instincts," Anderson says.

Before starting Brero Construction, Weber had quit her job as executive vice president of a now-defunct Santa Clara contracting firm. She intended to find a similar job at another construction firm, not start her own. She had owned several enterprises in the past, including a school for



As a woman and a Hispanic, Claudette Weber is favored when competing for some government contracts, but her real advantages, observers say, are talent and business instinct.

PHOTO: ROBERT HOLMGREN



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## MAKING IT

helicopter pilots and a restaurant. None of them were big successes.

"I wanted to be a vice president again, drive a Mercedes, and go home by 5," Weber recalls. "And I certainly didn't want to worry about meeting a payroll."

But her husband and some colleagues convinced her that she could do well.

Still, Weber had her rough spots. In the construction business, she learned, few people automatically take a woman seriously. In 1984, while bidding on a small job to expand a church, Weber was accompanied by a vice president and a

construction supervisor—both of them men—at a meeting with church elders. The church officials didn't even look her in the eye, she recalls. Then, when it came time to ink the deal, Weber suddenly pulled out a pen and signed the paper, leaving her new clients speechless. "They were astonished that a woman owned a construction business," Weber says.

In an industry infamous for its seat-of-the-pants approach, Weber is methodical, preparing one-year and five-year business plans. She also takes great pains to prepare for her annual, half-day meeting

with her 19 full-time employees, where she fully discloses her profit-and-loss statement. She finds that such openness, coupled with a no-layoff policy, earns huge dividends in terms of loyalty.

The psychological rewards Weber has found in running her own business aren't limited to the rapport she enjoys with employees. "I'm not a great artist or writer, but I do leave behind monuments," she says.

*Steven B. Kaufman is a free-lance writer in San Jose, Calif.*

## Prescribing Good Manners

*By Cheryl Jarvis*

Twelve years ago, Nancy Friedman made a routine telephone call to her insurance agent. The woman who answered had no idea where the agent was or when he would be back. She answered each question Friedman asked with a curt "I don't know" and ended the conversation brusquely, saying she couldn't take a message.

Friedman was so furious she canceled all her policies. "You may be great," she told her insurance agent, "but the people who handle me on the phone are rude and unhelpful. I will not be treated like that. We speak to our wrong numbers better than you speak to your clients."

To his credit, the agent asked Friedman to come to the office and tell his staff what they were doing wrong. Friedman was up to the task. As a customer-service representative for her husband's company, Weatherline, an advertising-sponsored weather-by-phone service, Friedman had years of practical experience on the telephone. Not until she gave her first seminar, however, did she realize that her intuitive telephone manners were a saleable product.

When a newspaper editor who attended her second seminar dubbed her the "telephone doctor," Friedman realized she had a company name, and she registered it immediately. Offering seminars on telephone skills to businesses was, the St. Louis entrepreneur decided, "a prescription for a national illness."

"Hundreds of millions of dollars are leaking through phone wires because of the way people are treated," says Friedman. "Studies reveal that callers form

lasting opinions of a company within the first six seconds of a telephone conversation or voice-mail encounter. Whoever answers the phone is the company."

Friedman's message struck a chord. What was launched as a one-woman operation out of the bottom right-hand drawer of her desk is today a global corporation with annual sales of \$2 million, 23 people on the payroll, and clients on five continents.

It certainly didn't start out so big. The first seminar Friedman advertised and

Friedman's solution was to produce videos to deliver the same information. When international distributors approached her at the trade show of the American Society of Trainers and Developers, she realized that the United States did not have a monopoly on poor telephone service. Today, thousands of companies in 27 countries use the Telephone "Doctor" videos, which have been translated into eight languages, including Cantonese and Hebrew.

Although most of the information in the videos is common sense, Friedman says, "it's not so common anymore. People need reminding." Whether she is talking about telephone tag, voice mail, or foreign accents, Friedman plays up the medical metaphor. She wears a white lab coat, offers a diagnosis, and prescribes a cure.

The video business is the major thrust of the company and its biggest moneymaker. During any given week, 100 to 200 companies preview a representative sample of the 16-set video library, which sells for \$3,990.

Today, Friedman limits her on-site seminars to 75 a year (at a fee of \$4,000 plus expenses), so she has time to oversee the company's other profit centers, including audio tapes, a receptionist school, videos for children, and a soon-to-be-published book on telephone tips.

Helping keep Friedman's energy on course are her husband, Dick, who writes and produces the Telephone "Doctor" videos and handles the sales training, and her son, David, 30, who is general manager. Nancy and Dick serve as vice presidents of each other's company.

This spring, the Telephone "Doctor" moves to a brand-new, 6,500-square-foot office building with its own training theater. At her new digs, Friedman and her predominantly female staff will look into the mirrors by their desks and pick up the constantly ringing phones with a smile.

"Smile when you pick up the phone," says Friedman. "Be friendly before you know who it is."



PHOTO: SHARON KATZMAN

**"Doctor"** Nancy Friedman of St. Louis has built a business out of teaching basic telephone skills.

ran herself in St. Louis generated a 38-cent profit. But she quickly found a sponsor, a local business consortium, and the Telephone "Doctor" mushroomed, solely by word of mouth.

The ex-actress, who once performed dinner theater with Gig Young and Cesar Romero, was a natural for the seminars. "I ran around the country like a madwoman, giving 100 to 125 seminars a year," says Friedman, who counts among her clients *The Washington Post*, the Internal Revenue Service, and AT&T. "I'd speak to anyone, anywhere, anytime. The problem was that there was only one Nancy."

*Cheryl Jarvis is a free-lance writer in St. Louis.*



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## MAKING IT

# Gourmet Food For Thought

By Sharm Nelton

**J**oseph and Donna Dubé of Wickford Gourmet Foods have survived New England's recent deep recession and a statewide banking crisis that left them strapped for cash. But the worst disaster the Wickford, R.I., couple ever faced as entrepreneurs was an electrical fire that left their building just a shell several years after they started their business in 1981.

"We lost everything," Donna says. Until then, she had regarded the Dubés' retail company as a means of survival. But the fire taught her something: "I felt a great loss—not just financially," she says. "That's when I realized that I *loved* the business and that I wanted to stay in the business."

The Dubés were back in business in three months—largely, they say, because of community support. Volunteers showed up day after day to help clean the store and, for insurance purposes, construct an inventory record out of the remains. "They'd go home covered in soot," says Joe.

An itch to return to Rhode Island, Joe's home state, had brought the Dubés back east from Ohio, where Joe had worked in sales for Owens-Illinois Inc. and Donna had been a special-education teacher. Because jobs were scarce, they decided to open their own business. They settled on food, Joe says, because even in tight times, "food is a necessity."

What began as a cheese shop has since grown into a small conglomerate consisting of a catering business and two retail stores: Wickford Gourmet Food, bursting with thousands of items ranging from spices and coffees to freshly baked goods and maple sugar lollipops, and Wickford Gourmet Kitchen & Table, a shop filled with cookware and table accessories. The food shop includes a restaurant that serves breakfast and lunch.

Specialty gift baskets now account for 10 percent of the Dubés' sales. Customers can purchase anything from "The Ultimate Cheese Basket," a \$50 concoction of cheeses, meats, mustards, fruit, nuts, and pâtés, to "The Basket From Hell," full of the hottest of sauces, salsa, mustards, and chili peppers.

While the baskets are especially popular at Christmastime, the Dubés have been promoting them year-round for birthdays, anniversaries, picnics, and other occasions. Baskets filled with New England and Rhode Island specialties find appeal with tourists attracted to Wickford, a historic seaport village on Narragansett Bay.

The Dubés won't reveal annual reve-

nues, but they say that the company was growing at a rate of more than 20 percent a year until the recession hit. The pace of growth now is much slower, but "we haven't lost ground," according to Joe. The company has nearly 30 full-time and part-time employees.



PHOTO: DRICK FREEMAN—BLACK STAR

**A fire, a recession, and a banking crisis could not keep Donna and Joseph Dubé from expanding their gourmet food business, in Wickford, R.I.**

The way the Dubés handled their latest crisis won them recognition as a state Blue Chip Enterprise in the 1992 Blue Chip Enterprise Awards program, sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business*. The program honors businesses that have overcome adversity and become stronger. (See "More Than Perseverance," in the April issue, for profiles of the program's 1994 national honorees.)

On Jan. 1, 1991, the governor of Rhode Island closed 45 banks and credit unions because of the collapse of their private insurer, freezing assets and leaving their customers without access to funds. The Dubés' money was tied up in one of those credit unions.

"Our liquidity consisted of \$100 in each of our three registers," says Joe. He and Donna needed to meet a \$7,000 payroll on

Jan. 3 and faced payables of \$60,000 during January alone.

Within two weeks, they obtained a line of credit from a federally insured bank by presenting it with personal financial statements, three years of income tax returns, and a plan of action. They also contacted their major vendors and in many instances obtained extensions on payments due.

Most important, they launched a media campaign that told the public how the small-business community was caught up

in a crisis. The exposure they got, Joe says, "resulted in an outpouring of customer support, which translated to increased sales."

Wickford Gourmet Foods is now becoming a family business—the Dubés' son, Brad, 26, joined the company last year. They hope their daughter, Sarah, a senior at Miami University in Oxford, Ohio, will also come into the business.

Joe Dubé has a master's degree in business administration, but he says that textbook learning "is nothing compared to hands-on." And what would he advise a struggling new entrepreneur?

You have to find a niche, and you should have a nest egg to see you through until your business reaches the break-even point, he says. "You've got to be single-minded. You've got to be obsessed with it. . . . And you've got to give it 2,000 percent for as long as it takes."



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## COVER STORY

# A Good Time To Export

By Roberta Maynard

**T**o Wendy Wigtil, the "global marketplace" is no lofty notion. It's survival. Last year, her exporting of toys made the difference in her profit margin and put her company in the black. "Exporting was critical for us, especially with the downturn here," says Wigtil, president of Barnyard Babies, Inc., in Annapolis, Md. "That's why it's so worthwhile to us."

Her toy company has six full-time employees and—depending on the workload—from 10 to 30 workers on contract who sew the cloth designs the company makes for children to color.

Wigtil's first orders were the result of an unsolicited inquiry from a foreign distributor at a trade show. That was in 1989, when her company was only three years old. Now, she sells her products in Japan, France, and Canada, and she'll soon expand to Brazil.

For small companies like Wigtil's, opportunities to profit from exporting may never have been better. Several recent developments have converged to create a potential boon to U.S. exporters. They include:

- Implementation of the North American Free Trade Agreement. Beginning last Jan. 1, the pact began eliminating trade barriers among the United States, Mexico, and Canada. The agreement is particularly helpful to U.S. small businesses seeking to do business in Mexico; a free-trade pact between the United States and Canada has been in place since 1989.

- Low interest rates in the U.S. market. This means more-favorable financing terms for small exporters.

- The declining value of the dollar, which makes U.S. exports more affordable to foreign buyers—in some countries, only about half what they cost in the early and middle 1980s.

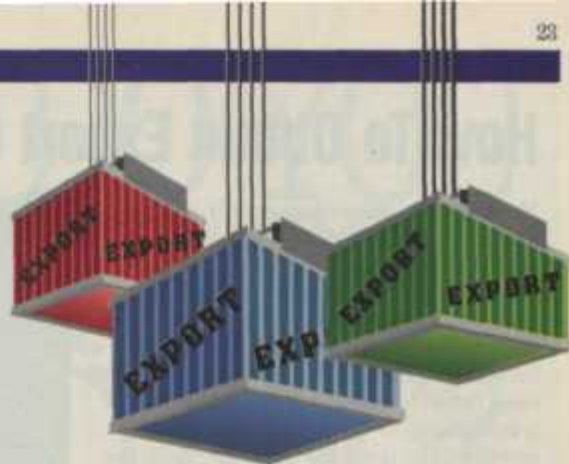
- The opening of markets, such as



**Toy manufacturer** Wendy Wigtil says slower domestic growth was a factor in her decision to export to Japan, France, Canada, and soon, Brazil.



*Opportunities to sell abroad have never been greater. Here's how to decide whether your firm should pursue overseas markets.*



Vietnam and the Czech Republic, with millions of potential new buyers of U.S. goods and services. The Vietnamese market, with a population of nearly 70 million, was opened to U.S. companies for the first time in 20 years after a trade ban was lifted earlier this year. The Czech Republic, meanwhile, has been promoting quick privatization and trade as it moves toward a market economy.

■ Growing economies in many developing countries, which means greater buying power for their citizens. Argentina, for example, instituted economic reforms and has begun efforts to reduce corruption and to end policies favoring special interests. Another market holding increasing promise is China, where real GNP growth is projected at 9 percent a year for the rest of the decade, according to Dun & Bradstreet Information Services, and industrial output is expected to continue its double-digit growth.

■ The successful conclusion of the multilateral trade negotiations known as the Uruguay Round of GATT, the General Agreement on Tariffs and Trade. The GATT agreement is expected to increase trade worldwide by reducing or eliminating tariffs among the 117 signatory countries, beginning in 1995.

■ Stepped-up government initiatives to improve access to export services, including the recent opening of the first four Export Assistance Centers, known as one-stop shops, in Baltimore, Miami, Chicago, and Long Beach, Calif.

Together, these factors create an extremely favorable climate for U.S. exporters. "The opportunities to export are better now than they've been in a long time, perhaps the entire postwar period," says Laurence Chimierine, chief economist and vice president of the Economic Strategy Institute, a Washington, D.C., public-policy research organization.

At the same time, Chimierine adds, factors in the domestic economy have made doing business outside the United States a necessity for many firms. "On balance, the GNP growth rate in the U.S.

## ★ Top 20 Importers Of U.S. Products ★

(Value of 1993 U.S. exports in billions)

1. Canada	\$100.1
2. Japan	47.9
3. Mexico	41.6
4. United Kingdom	26.3
5. Germany	18.9
6. Taiwan	16.2
7. South Korea	14.7
8. France	13.2
9. Netherlands	12.8
10. Singapore	11.6
11. Hong Kong	9.8
12. Belgium	8.8
13. China	8.7
14. Australia	8.2
15. Switzerland	6.8
16. Saudi Arabia	6.6
17. Italy	6.4
18. Malaysia	6.0
19. Brazil	6.0
20. Venezuela	4.5

U.S. exports in 1993 totaled \$464 billion.

PREPARED BY GLOBAL TRADE INFORMATION SERVICES, INC., COLUMBIA, S.C.

CHART: MICHAEL ROOK

is much slower than it was in the '50s and '60s," resulting in less market potential here, he says. "In many industries there is very little growth and much more competition." Thus, he says, U.S. companies are being forced to look overseas.

Wigtil's Barnyard Babies was one such company. "Part of our big push to export is a declining domestic market," she says. "That's what made us pursue this with the vigor that we did."

Wigtil is enthusiastic about recent developments that will make it easier to expand her export operations. Although some trade-agreement details that could affect her company have yet to be worked

out, she does expect to benefit as tariffs on toys sold to Canada are reduced to zero over the next 10 years. In addition, GATT's provisions for patents and copyrights will also provide protection for the original designs of her toys.

She notes other changes that have improved her outlook for exports as well: "There are more intermediaries out there looking for American products," says Wigtil, who exports almost exclusively through distributors. Also, inquiries about products are more serious than in the past, she says. "The [agents] used to be tentative and want to take products back to try; now, they are taking orders," she says. "I think this has to do with improving economies. Customers can now afford to spend money on discretionary products like mine."

But, for Wigtil, the most important factor is the opening of untapped markets, such as the former Soviet Bloc, which she is investigating. "There are democratic governments, and people can now own their own businesses," she says. "For companies like mine, it's an opportunity to get into those markets early and get a foothold."

While overseas opportunities are tremendous, not all small companies are well-positioned to become successful exporters.

First and most important, your firm must be an established, viable concern here at home; exporting is not for start-ups. Second, you must offer a marketable product or service at a competitive price.

Beyond these basics, successful exporting also requires:

- A long-term commitment.
- Perseverance and the realization that success won't come instantly.
- Ability to adapt a product or service to meet overseas expectations.
- Willingness to tap available information and resources.
- An attitude of partnership with agents in foreign markets.
- A commitment to quality.

"The ideal for us is to find a company ... that has been a success in the U.S. and

*Continued on Page 26*



## COVER STORY

# How To Obtain Export Capital

Making an overseas sale is only half the challenge; the other half is finding the money to fill the order.

As a small-volume exporter, you may need working capital to acquire raw material for work in progress or for inventory to satisfy an order. You may need funds to support self-liquidating transactions, in which the money borrowed will be repaid to the lender with the proceeds of the sale.

Options available for obtaining capital include conventional financing, tapping your firm's cash flow, acquiring venture capital from investor groups—a frequent solution for high-technology firms—and requesting prepayment from overseas buyers or a down payment and progress payments at certain intervals.

A common problem is that many exporters don't think about financing at all until after they have made a sale, says Irene Fisher, director of the California Export Finance Office, a state-sponsored finance and loan-guarantee program. Fisher is temporarily assigned to head the SBA's Office of International Trade and help build the agency's revolving line-of-credit program for exporters.

"Small firms just don't plan for or understand the costs of financing for exports," she says. "Entrepreneurs are normally into design and marketing. They get excited about orders, not how to finance them. They assume that financing will come if you have a big deal."

What small exporters often overlook is that, from a lender's viewpoint, financing exports is not much different from financing domestic orders.

"The thing that hurts them most is that [exporters] come in unprepared, without even the basic financial information" that a lender needs in considering whether to make a loan, says Peter Knudson, senior vice president and international division manager of Imperial Bank in Los Angeles. "They may walk in with a letter of credit [from an importer's bank] or maybe just an order from an overseas buyer," he



PHOTO: SCOTT BRACE-BLACK STAR

**Export-loan official Irene Fisher says loan guarantees can make financing possible.**

says, and that simply is not enough to obtain a loan.

If you're seeking conventional financing, prepare carefully for your meeting with the bank. "That meeting with the bank," says Knudson, "may be your most important sale."

Materials you should take to the meeting include tax returns, your personal financial statement, and a short description of the company's history and its management. "We look for two years of financial information, ideally prepared by a CPA," Knudson says. It also helps to prepare a projection to show how much financing will be needed.

"If [exporters] haven't thought far enough ahead to answer that," he says, "it suggests that they aren't prepared" to sell

outside the United States. "The biggest problem is that people are reaching for a rainbow," often trying to take on a sale that is beyond what they can handle. "The financing request has to be realistic," he says.

Says Fisher, "Exporters assume that banks are being a stumbling block, but often they just can't take the risk" involved in making a loan.

Banks are often more willing to lend money to a small exporter if the company has a guarantee of payment from a state or federal agency, such as the SBA or the Export-Import Bank, in Washington, D.C. Such guarantees limit a bank's risk if the exporter defaults on the loan.

Last year, Robert Marangell, president of Magellan Communications, Inc., in Sunnyvale, Calif., benefited from a loan guarantee after he received an order for more than \$3 million to provide a large voice-mail system to the German phone company, Deutsche Bundespost.

Marangell, whose total sales the previous year had been \$2 million, needed money to pay his suppliers and software engineers before the work was completed. He also had to buy the phone-system equipment about 30 days before installation, knowing he wouldn't get paid until at least 30 days after the system was in place.

"Basically, I had to take the [buyer's] terms and provide them the credit," Marangell says. "I couldn't persuade them to make advance payments." He was able to fill the order, thanks to the California Export Finance Office, which guaranteed 85 percent of the amount of the loan from his bank.

If you will need conventional financing to accept an overseas order, lay some groundwork before pursuing those sales. "If you are going on a trade mission, it doesn't hurt to go to the bank you have identified and make a contact there in advance of your trip," Knudson says. "Tell them your plans, and give them your financial data. Ask what finance documents they require from your distributor. If you come back with an order, you will be ahead of the game."

## Financing Resources

Here are some places to start when you're seeking export financing:

■ A lender who regularly handles international transactions. For a free list, call the Export-Import Bank, in Washington, D.C., at (202) 566-4490, or check with the Small Business Administration, (202) 205-6720, or your state's export office.

■ State export finance offices offer state-backed loan guarantees, direct loans, and export credit insurance.

■ The U.S. Small Business Administration (SBA) provides a variety of finance services for exporters. Among them are its international trade loan program; the export working-capital guarantee program, which provides short-term financing for individual, self-liquidating transactions; and the 7(a) business loan-guarantee program for medium-term working capital and long-term, fixed-asset financing. For further information, or for a free copy of the SBA's new booklet on export finance, *Bankable Deals*, call (202) 205-6720 or your local SBA office.

■ The Export-Import Bank, an independent federal agency, offers a working-capital guarantee program that covers 100 percent of the amount of a commercial loan. The agency also offers an export credit insurance program to protect exporters in case a foreign buyer defaults on a payment for a purchase. In addition, 30 state governments participate in Ex-Im Bank's City/State Program, which helps businesses apply for loans and provides finance counseling. For more information on the Ex-Im Bank's programs, call 1-800-424-5201.



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**RUSH**

**RUSH**

**RUSH**

**RUSH**

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Continued from Page 23

wants to increase its business by 10 to 20 percent," says John Everett, executive vice president of Dage Corp., an export management company in Stamford, Conn. Dage specializes in finding overseas markets for U.S. manufacturers of custom-designed subsystems and components for cellular communications, satellites, and radar systems.

Company size is not one of his requisites. "No one's too small to export," Everett says. "If a company has operating systems and we think that the CEO has integrity, we are interested."

The quality of products is also important, he says, because "claims coming back from overseas can annihilate profits very quickly. If I think a product's got half a chance, I send inquiries to my representatives [in other countries] and ask whether they are interested."

To sell abroad, a company has to have perseverance, says an exporter, Peggy Baird, owner of Cottage Country Baskets, makers of handcrafted baskets in Cambridge, Ohio. "You have to be flexible and willing to adapt your product to the market," she says. "Realize that other markets may have different expectations [of quality or performance]."

Baird began selling overseas in 1990, when her company was six years old. Within two years, she was so involved in exporting that she formed a second company, American Image Group, to facilitate exporting for other small U.S. firms.

Small companies can export, she says, if they take advantage of available resources. Baird found help through the Commerce Department and the Japan External Trade Organization. JETRO is a Japanese government agency with 19 U.S. offices; it promotes trade between Japan and other countries.

If you decide that exporting is a good move for your company, you should next consider which markets are the most promising for your product, who will sell your product overseas, how you will finance the export effort, and who will handle shipment of your goods.

First, is there a market for your products or services? Even if you have a trading company or a foreign distributor looking for lucrative potential markets, you would be wise to do a little research on your own.

Intuition, while helpful as a starting point, is no substitute for market research. Wendy Wigtil's products are neither inexpensive nor cheaply made. She knows from her exporting experience that success hinges on getting to more-sophisticated buyers who have money to spend



PHOTO: ROBERT HOLMGREN

Export trading companies like Connell Bros. have networks of overseas reps; Frank Brown, president, is shown with Yolanda Zabala, manager of documents and billing.

## Resources For New Exporters

Tapping the plentiful free and low-cost information about exporting may seem like a daunting task, but it needn't be. Here are some good places to start:

### Federal Trade Information

Begin with a district office of the U.S. Commerce Department, or call the Trade Information Center at 1-800-USA-TRADE (1-800-872-8723); it is an interagency clearinghouse on exporting.

Narrow your inquiry as much as possible. If you ask about selling medical instruments in Poland, for example, the trade specialists might refer you to the *country desk officer* for Poland at the Commerce Department in Washington. To find out which countries might have a market for your product, ask to talk with an *industry desk officer* specializing in your industry.

### Information On GATT

To learn how you might benefit from the latest session of the General Agreement on Tariffs and Trade, call the Trade Information Center's Uruguay Round Hotline, also at 1-800-USA-TRADE (1-800-872-8723). When you hear a prompt, key in 1000 on your phone to receive by fax a list of 51 free industry reports.

### Documents By Fax

An easy-to-use resource is "Flash Facts," a free, 24-hour fax system operated by the Commerce Department. For information

on specific regions, call these numbers: Eastern Europe, (202) 482-5745; Office of Mexico, (202) 482-4464; Office of the Pacific Basin, (202) 482-3875; Newly Independent States, (202) 482-3145; Office of Africa, Near East, and South Asia, (202) 482-1064.

Follow directions given to order a list of available documents, including best market prospects, upcoming trade fairs, country-specific fact sheets, economic trends, and market analyses.

### Trade Missions And Trade Shows

Small companies may take their goods abroad for trade shows and other demonstration purposes and as commercial samples without paying foreign value-added taxes and duties by acquiring a document called an ATA carnet (pronounced car-nay). Carnets are valid for one year and can be used in 46 countries.

Carnets may be obtained from the U.S. Council for International Business in New York. The basic fee for a carnet to send a shipment of goods worth less than \$5,000 is \$120. Call 1-800-ATA-2900 (1-800-282-2900).

For lists of trade events, call your local Small Business Administration office, the Commerce Department, or your state export office.

For services offered by private firms, check *The Export Yellow Pages*, which lists more than 14,000 U.S. companies involved in exporting, including intermediaries and freight forwarders. It is free while supplies last from Commerce Department district offices. A new edition is published each May.



# JETRO Your Japan Business Resource

Whether you're interested in exporting or direct investment, JETRO's free services can help your company succeed in the world's second-largest market.

Established in 1958, JETRO, the Japan External Trade Organization, is a nonprofit, government-supported organization dedicated to promoting mutually beneficial trade and economic relationships between Japan and other nations. Headquartered in Tokyo, it has a network of 31 offices in Japan as well as 77 overseas offices located in 57 countries. Today, JETRO's main mission in the U.S. is to help American companies to develop their export sales in the Japanese market.

## How JETRO can help you export to Japan:

- JETRO Import Product Specialists, who visit the U.S. on a regular basis, can evaluate your product's suitability for the Japanese market.
- Expert consulting is available free of charge from JETRO's Senior Trade Advisors, assigned to 21 locations nationwide.
- JETRO's Business Support Center in Tokyo, and future centers in Yokohama and Osaka will provide free office space and services as well as on-site advisors for qualified companies.
- JETRO's information resources and network of contacts can match your company with potential importers or business partners in Japan.

## How JETRO can help you invest in Japan:

- Through its publications, videos, computer databases, symposia, seminars and meetings, JETRO provides a wealth of information on investment opportunities.
- Investment counselors at the New York, Chicago, Los Angeles, San Francisco and Houston offices offer practical advice on Japanese tax, accounting and legal matters.

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FAX: 213-629-8127

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Atlanta, GA 30303  
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FAX: 404-681-0713

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## COVER STORY



and prefer American-made products. Research can pinpoint those markets.

Companies that sell more-basic goods and services look for other criteria. Bob Miller, president of Pacific Roller Die, in Hayward, Calif., manufactures pipe systems for oil, water, and gas transmission; he exports his products to Korea, Indonesia, Taiwan, and China. "When you're in a basic industry, you look to see what is going on in developing countries," he says. "You can see where there is a need for new water systems." For Miller, any potential market has to have reserves of energy, which his systems are designed to

harness, and also easily convertible currency, which makes China promising, he says, and Russia less so. Exporting now accounts for 95 percent of his firm's \$10 million in annual revenue.

In exporting as in selling at home, timing is everything. MMO Music Group, Inc., a family firm in Elmsford, N.Y., has been exporting for 40 years with varied success. MMO—it stands for music minus

one—began as a manufacturer of record albums featuring music played by an orchestra minus the sound of one instrument, so musicians could use the music to practice that instrument at home.

When karaoke became popular in the late 1980s, the company was a natural to meet the demand for sing-along cassettes and CDs of instrumentals.

David Kratka, MMO's president, banking on the appeal of American music overseas, re-established the firm's lagging export program. The firm's problems over the years ranged from difficulties with licensing laws to trouble with

## Doing Business In Mexico



PHOTO: OCEAN ARRANGE

Exporting is the key to Bicknell Manufacturing's growth, says John E. Purcell Jr., right, general manager, shown mapping a strategy with Bruce Bicknell, vice president.

Passage by Congress of the North American Free Trade Agreement (NAFTA) last November came as good news to John E. Purcell Jr., general manager of a small manufacturing company in the coastal town of Rockland, Maine.

A month earlier, Purcell had visited Mexico as a member of a U.S. Small Business Administration trade mission, and he had returned home optimistic about his prospects for selling his firm's products south of the border. Later, he was pleased to discover that, under NAFTA, Mexican tariffs on some of his company's tools dropped from 27 percent to 9.2 percent. Within five years, those tariffs will be reduced to zero.

Purcell went on the SBA trade mission to Mexico because he saw foreign markets as a way to increase profits in the face of intensifying competition from 15 companies in a stagnant domestic market.

His firm, Bicknell Manufacturing Co., is a 100-year-old family business that makes steel and carbide tips for such tools as paving breakers, rock drills, and jackhammers. As a producer of construction-related equipment, Purcell reasoned, the company is well-positioned to do business in Mexico, which is undertaking huge bridge- and road-building projects.

Purcell found that meeting potential business partners face to face was, for him, the best approach to doing business in Mexico, and it quickly answered many of his concerns about entering this market.

During his visit, he found a distributor to handle Bicknell's products. Now, the company transports its products about 2,500 miles to the Mexican border, where the distributor takes over, handling customs paperwork and sending the goods into the country.

Purcell is following a cardinal rule of exporting: understanding not only the economics of a foreign market but also its people and their traditions. He and four of his 47 workers are studying Spanish so that Mexican customers calling with a problem—or an order—will always be



unethical distributors—one reason he now tracks his agents' sales on computer rather than through intermediaries' reports. These days, Kratka gets 20 foreign inquiries a week and aims to triple his export effort, now 15 percent of his annual sales of \$8 million.

**H**and in hand with your search for target markets is determining how best to sell your product abroad. The method you choose depends on many factors, including your resources, the extent to which you want to participate in the process, and the risk

you are willing to take. Companies can sell directly to the end-user or go through intermediaries such as a foreign distributor, overseas representative or agent, or an export trading company located in the United States.

During his seven years as an exporter to dozens of countries, Ira L. Kasindorf has tried several methods and found that there are trade-offs. Kasindorf is president of Quantum Logic Corp., in East Norwalk, Conn., a 10-year-old company that makes infrared pyrometers and sensors that measure temperature in petroleum and medical applications.

able to communicate, even though his distributor speaks very good English. The company is also translating its product literature.

Bicknell's revenues in 1993 were just under \$3 million, with exports making up about 10 percent of the total. The company plans to increase its export business to 50 percent of total revenues within the next five to 10 years. "Our goal is near \$5 million to \$10 million," Purcell says. "Exporting will be the key to that growth." He is already investigating markets in South America.

On building markets abroad, Purcell says: "It takes time. You have to be patient and almost have no expectations. But the future looks very bright."

Kathy Parker, the international trade officer at the SBA who led the trade mission that Purcell joined last fall, agrees that Mexico holds promise for U.S. companies. The country was a growing

importer of U.S. goods long before NAFTA. From 1986 to 1993, U.S. exports to Mexico more than tripled, rising from \$12 billion to \$41.6 billion.

"With NAFTA," says Parker, "banking and insurance services will improve, and that will make it easier to do business there."

To U.S. managers headed for Mexico, Parker offers this advice: Expect costs comparable with those in the U.S. for hotels, meals, and business-related services; expect that not everyone will speak English; and recognize that Latin Americans like to develop personal relationships with their business partners.

"Overall, there are tremendous opportunities," she says, particularly for environmental companies and franchises. Other hot markets include automobile parts, machinery, used medical and food-processing equipment, and transportation and agricultural equipment.

The problem with using sales representatives working on commission, says Kasindorf, is that it means his company still has to handle collections, which is time-consuming and costly. "We prefer to use an agent; that makes life simpler," he says. The danger there, though, is "that you don't have control over what he charges the customer. He may get greedy and charge too much, and you may lose a customer. His interest and yours may not always be the same."

Kasindorf has also gotten very good response directly from buyers by placing ads in American trade journals with international circulation, particularly when he wants to reach markets not large enough to warrant an agent.

Kasindorf intended to pursue overseas business when he started his company in 1984. "The U.S. market is only [a fraction] of the worldwide market," he says. "My view is, if you have a market out there, go after it." Quantum's annual sales volume is under \$1 million, and exports account for 65 percent of it.

Another option is an export trading company (ETC), which offers an established network of overseas representatives in the countries it handles. ETCs ordinarily specialize in certain types of products, or certain markets, or both.

Connell Bros. Co., for example, based in San Francisco, operates exclusively in the Pacific Rim, where it began doing business more than 100 years ago. The company handles some consumer products, but its major share of business comes from specialty industrial chemicals and minerals.

If a Connell representative in Asia sees a market for a particular product, a manager in the United States seeks out manufacturers of that product. The rep then studies the product's sales potential in that market.

The manufacturer bears none of this cost, nor does it make any commitment to Connell. And, in effect, it works like a domestic sale: Connell buys the products, arranges to ship them, invoices the customer, and takes the credit risk. Connell sets its own margins, usually between 10 and 30 percent.

Says Frank M. Brown, Connell's president: "A small company is not limited by size or financial capability. Exporting takes a little time but not a lot of money to get started. The Asian market, which has been exploding during the past five to 10 years, is just as accessible to a small company as it is to a large one."

You can use the following as a guide to help you choose the intermediary best-suited to manage your product overseas:

- Review the company's literature and ask for a listing of its other product lines. Are its current products compatible with yours? Does it have a successful track

*Continued on Page 32*

## Can Your Product Benefit From NAFTA?

Tariffs on many products were eliminated Jan. 1, the day the North American Free Trade Agreement took effect. Now, about 50 percent of goods being exported from the United States to Mexico are duty-free. Within the next 10 years, 98 percent of them will be. By 2009, all Mexican tariffs on U.S. products will be eliminated.

NAFTA tariff rates only apply to North American products. To determine whether your product qualifies for duty-free treatment under NAFTA, follow these steps:

- Obtain the HS (Harmonized Commodity Description and Coding System) number that applies to your products. If you have exported before, your freight forwarder has this number. If you are new to exporting, get the number from the U.S. Census Bureau's Foreign Trade Division at (301) 763-1201.

- Then, call the Department of Commerce's automated number for Mexico and NAFTA at (202) 482-4464. To get a list of free documents faxed to you, key in 0101, the document number, on your phone. With this list, you can call to order the NAFTA tariff and phase-out schedules or the NAFTA rules of origin by HS number. The list also includes more than 50 documents on marketing and preparing products for export to Mexico.

- For additional help on the rules of origin, which deal with product-content requirements, and completing the required NAFTA certificate of origin, call the Commerce Department's Office of Mexico at (202) 482-0300, or your regional Commerce Department office.

- For information on the potential market for your products in Mexico, call the federal government's Trade Information Center at 1-800-USA-TRADE (1-800-872-8723), and ask for the desk officer who specializes in your industry. If you sell services, call the Office of Service Industries at (202) 482-3575.



# THE BLUE



## PANORAMA

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# CHIP VIEW



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three years to Nov. 1, 1993 or a weighted average of the three-and five-year periods to that date. The total returns compared were net of all fees except surrender charges and annual contract fees. Money then averaged the scores of individual subaccounts to determine each annuity's overall rank. PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. ©MCMYCH Connecticut Mutual Life Insurance Company, 140 Garden Street, Hartford, CT 06154



## COVER STORY

Continued from Page 29

record selling products such as yours?

■ Would you be the company's primary supplier? Who are the others? Are they potential competitors?

■ How many field salespeople does the representative or distributor have? Is it adequate to cover the market?

■ What has been its sales volume for the past few years? Has volume been consistent?

■ What territory does it cover? Is this consistent with the coverage you want?

■ Does it have the warehouse facilities you need? The communications systems? The language capability?

■ What advertising and promotion programs will it use? Will you be expected to contribute funds?

■ Is it equipped, qualified, and willing to handle servicing of your product?

**A**fter deciding how your products will be sold, the next step is choosing a freight forwarder, who will deliver them. In addition to finding the best transit method and rate for you, a freight forwarder prepares and examines the required documents, including the bill of lading—the contract between the shipper and carrier, which may also be used to convey title to goods—and

the shipper's exporter declaration form—the document containing the particulars on the contents of individual shipments.

You must supply the forwarder with a carefully completed invoice and packing list, as well as the size and weight of your shipment, so appropriate arrangements can be made. You are also responsible for knowing whether your products require any special licenses (for hazardous chemicals) or certificates (for certain foods).

Because your success depends on your relationship with your forwarder, it is important to take the time to find a good one who can handle both air and ocean freight and who will, if you require it, prepare and present shipping documents to your bank for collection and payment. For recommendations, ask other exporters, industry and local world-trade associations, commercial banks, and chambers of commerce.

Along with the many exporting success stories are plenty of ventures that went awry. Most would-be exporters are naive, says management company executive John Everett, who has exported for 23 years. "They expect too much. They

believe that success will be instantaneous. In fact, it takes about three years to be profitable, if all goes well."

Everett has found that often American CEOs automatically believe that "their products are superior and their prices are the lowest. They don't understand that other countries have equal or better technology," an attitude that can hamper their efforts to be competitive.

Other exporting tips: Take time to visit your agents and buyers to help cement those relationships. Learn something of the culture and local business etiquette; nevertheless, expect problems arising from miscommunication and cultural differences. To keep misunderstandings to a minimum, go out of your way to clarify, in writing, terms of the sale, particularly the seemingly basic ones such as how the goods will be shipped and when they are expected.

A final word of advice: If you start out to conquer the world in a day, you'll get shot down, says exporter David Kratka. "It really is a slow building process. The more energy you put into it, the more you get out of it."

To order a reprint of this story, see Page 90. For a fax copy, see Page 62.

## Drafting An Overseas Contract

A poorly written agreement with your trading company, distributor, or sales representative can spoil your attempts to break into new markets profitably. For new exporters particularly, legal advice from an experienced attorney is the best way to protect yourself against ineffectual or dishonest intermediaries.

Once you have found someone to handle your product in your target market and you have established the person's reputation, experience, and financial integrity, it's time to put your agreement in writing.

"The worst situation is for an exporter to agree to a long-term exclusive arrangement with no defined performance standards," says Andrew Muscato, an attorney and a partner in the Newark, N.J., office of Whitman Breed Abbott Morgan, an international law firm. "In their eagerness to establish themselves abroad, many U.S. manufacturers make this mistake."

Muscato, who has several years' experience drafting and negotiating foreign-distribution agreements, recommends an initial term of one to three years with options to renew, rather than the five to 10 years that distributors typically want. "You don't yet know the performance of the distributor," he says. "Once it works

out, you can always extend" your contract.

He adds that while it may be tempting to make things simple by using one distributor for several markets or for one large one, it may be more effective to have multiple distributors. This will depend on the type of product you sell and the distributor's experience in the different regions you want to enter.

Be alert, too, to the possibility that an intermediary you might choose may be trying to get a foothold in your business to keep you out of the market, he warns. "People sometimes leave their common sense on the shelf when they go foreign. They fall prey to the excitement of the international scene. It's important to remain circumspect."

Your agreement should achieve the following:

■ Correctly identify the parties to the agreement. Make sure the agreement you sign is with the person you have been negotiating with.

■ Clearly identify the products you want included in the agreement. You may later develop a new product and not necessarily want to commit it to that distributor.

■ Precisely define the territory as well as any off-shore areas included in it.

■ Outline your duties and those of the distributor.

■ Spell out that the agreement does not prohibit you from getting another distributor. Start with a nonexclusive contract.

■ State a period, typically 30 to 90 days, that the distributor would have to correct any problems before he or she is terminated. Grounds for termination usually include selling a competing product, not meeting sales requirements, a change of ownership or management, insolvency, failure to maintain staffing or inventory requirements, failure to respond promptly to customer inquiries, and failure to attend trade shows or other events.

■ Designate the jurisdiction—New Jersey, for example—and law that would apply in the event of litigation, which would be time-consuming and costly overseas. Or you may instead opt to put in a provision requiring arbitration.

Says Muscato: "The important thing is sales objectives and quotas. Do an independent investigation of the market, and then sit down with the distributor to discuss and agree on reasonable quotas. That really is the bottom line."

"Second, do as much as you can to feel confident—based on facts—that you have selected a partner you can work with. Third, avoid too broad or ill-defined a territory. These three are the mistakes that tend to be fatal."



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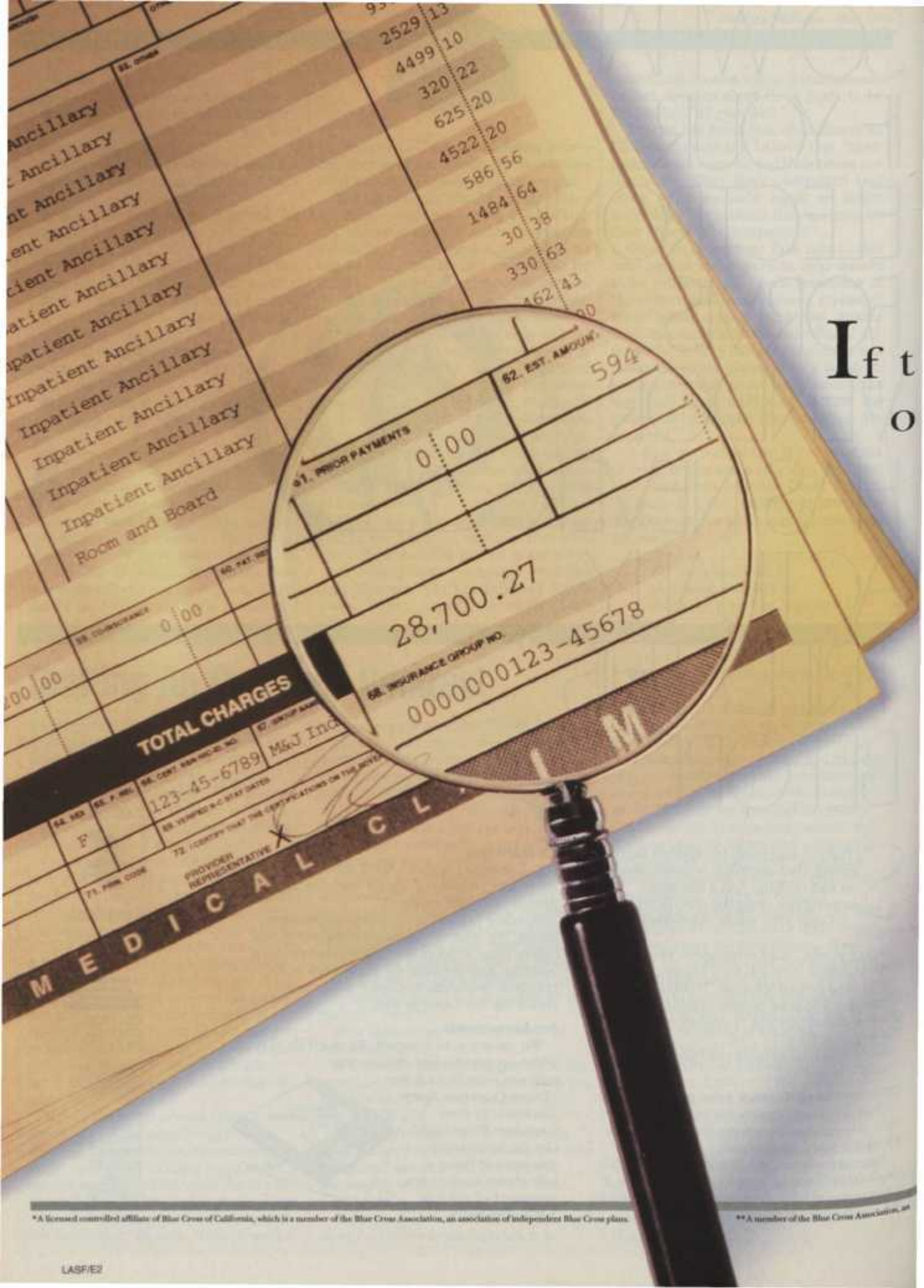
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## TRANSPORTATION

# Leased Wheels

By Julie Candler

**P**aper Cutters, of Greenville, S.C., is a small manufacturer with a big reach. The company ships paper-board package lining directly to customers in states east of the Mississippi. Annual sales are \$10 million to \$12 million. In an attempt to operate more efficiently, the company since 1992 has leased six Kenworth T800 tractor cabs, five of them with sleepers, from PacLease, based in Bellevue, Wash.

"We weren't prepared to put in a program of our own where we could maintain that many trucks," says Randy Mathena, who started Paper Cutters in 1981. "The bottom line is that we are probably operating more efficiently now than before, when we owned our trucks."

Under the terms of the full-service lease, PacLease handles repair and maintenance of Paper Cutters' vehicles. The leasing company also relieves the manufacturer of substantial paperwork.

According to Mathena, the administrative burden of managing a fleet was a factor in Paper Cutters' decision to lease.

"We run a very lean staff with 70 employees," he says. "Our trucking supervisor was having to do a lot of tax reports. We decided rather than hire more people to take care of that, we would just lease."

A significant number of companies like Paper Cutters find it convenient to lease the cars and trucks they use to do the business. In a 1992 survey, the National Association of Fleet Administrators, in Iselin, N.J., found that 63 percent of cars, vans, and light-, medium-, and heavy-duty trucks in fleets of 200 vehicles or less were leased. For fleets of 201 to 400 vehicles, the figure was 78 percent.

"The high cost of transportation and the need to be competitive are important factors in the popularity of leasing," says Dick Cromwell, vice president of marketing for Idealease, a Barrington, Ill., truck leasing and rental firm. "Companies are

not only trimming work forces but also expenses to regain profitability. They are focusing on what they do best and contracting out those ancillary services others can take over for them."

Businesses report several advantages to leasing their fleets. Doing so allows a company to use capital more efficiently, deduct lease payments, and avoid the paperwork inherent in buying and owning

*A substantial number of businesses are finding it cost-effective to choose this alternative to owning cars and trucks.*

midsize and larger trucks were full-service, up from just over half in 1991. Full-service leases usually mean fewer costly breakdowns, lower repair bills, reduced parts inventories, and elimination of the need for a company repair shop. Also, annual operating costs can be forecast, capital can be used more efficiently, environmental compliance on matters such as waste disposal can be handled by the lessor, and the fleets can be more up-to-date.

Griffith Micro Science, Inc., a Burr Ridge, Ill., company that sterilizes surgical instruments for hospitals and clinics, leases 15 passenger cars and minivans, along with two midsize trucks, through USL Capital Fleet Services, in San Mateo, Calif. Most of the vehicles are used by a nationwide staff of salespeople who call on the hospitals, clinics, and other customers.

"We are getting good cost per mile and helpful fleet-analysis information, plus good advice on options to consider for the best resale and safety," says Dick Rediehs, Griffith Micro Science's director of finance and administration. "For the size of

the fleet we have, full-service maintenance from USL Capital is better than trying to employ someone full time to administer it."

**H**ow long should a company lease a vehicle? Opinions vary on replacement cycles. Some fleet managers are stretching the number of months and miles as a money-saving measure, while others are staying with the lease terms they have used for years.

Rediehs of Griffith Micro Science leases vehicles for three years or 72,000 miles, up from the company's previous limits of two years or 50,000 miles.

"I don't see a big change in the cost from 50,000 to 72,000 miles," he says. "I always felt the cars had a useful life beyond the 50,000 miles. With the new



*Some fleet managers find it simpler to lease the big trucks they operate—like this International 8100 rig.*

a vehicle. Another advantage for some lessees is the availability of nationwide maintenance services, where drivers use charge cards for vehicle-related expenses. The fleet manager pays one bill, minimizing expense-account paperwork.

A growing number of companies that lease midsize and large trucks are opting for full-service leases, where the lessor handles maintenance and repairs, as well as administrative tasks such as licensing and tax reports. A study done for the Truck Renting and Leasing Association, based in Washington, D.C., found that last year about three-fourths of leases for



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## TRANSPORTATION



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replacement policy, we have had no squawks from the drivers of the cars."

Drivers must retain vehicles for at least 24 months and at least 50,000 miles at Leybold Inficon, a manufacturer of electronic gas-monitoring equipment in East Syracuse, N.Y.

"They need both before they can turn the car in," says Margaret Savage, the company's administrative assistant to the vice president of finance. She leases the firm's 22 minivans, station wagons, and four-door sedans from World Omni Leasing, Inc., in Deerfield Beach, Fla. "A couple of people put on 100,000 miles before the 24 months are up, but they

have to keep it under terms of the open-ended leases."

Other companies are replacing their leased vehicles more often. "Many fleets see older vehicles becoming more susceptible to repair costs," says Paul Prange, a senior consultant at Runzheimer International, a Rochester, Wis., company that tracks travel costs. "Will repair costs be less if replacement is more frequent? Yes. The companies I have dealt with over the past two to three years are keeping vehicles a slightly shorter time."

Despite generally higher costs, many fleet managers are opting to pay extra dollars for larger cars. While subcom-

pacts are the most economical cars, Runzheimer reports that they made up only 1 percent of vehicles in fleets surveyed. Ten years ago, the figure was 23 percent. Full-size vehicles now represent 19 percent of fleets, a reflection of today's relatively low gas prices.

Most businesses are also willing to spend the extra \$300 to \$1,300 for anti-lock braking systems (ABS), which are standard on many vehicles. The 1994 policy of National Starch and Chemical Co., in Bridgewater, N.J., is to equip all cars with air bags and anti-lock brakes. The firm's nationwide fleet of 450 mid- and full-size cars is leased through GE Capital Fleet Services, in Eden Prairie, Minn. Salespeople use the vehicles to call on customers who use the firm's food starches and specialty adhesives.

**N**ot all companies, of course, think leasing is best for them. Owning gives a company more flexibility in choosing vehicles. It also allows the business to deduct depreciation and interest. The operating costs per mile for heavy-duty trucks are often lower if the vehicles are owned rather than leased.

Tri-City Electrical Contractors, Inc., in Altamonte Springs, Fla., owns all of its 35 automobiles, 130 pickup trucks, and 40 1-ton G30 Chevrolet vans. One reason for owning, says Bruce Beane, the fleet manager, is that the company's light trucks get especially hard use at construction sites. "They're a total loss after five years," Beane says.

Lease payments are typically calculated to reflect an estimated worth of the vehicle at the end of the lease; the lower the residual value, the higher the pay-

## Where To Go For Leases

Among the most prominent truck rental and leasing companies in the United States are:

**Amtralease**, 115 White Horse Pike, Haddon Heights, N.J. 08035; (609) 547-7720.

**Idealease**, 28W144 Industrial Ave., Suite 116, Barrington, Ill. 60010; (708) 304-6000.

**Mack Leasing System**, 2100 Mack Blvd. (Box M), Allentown, Pa. 18105-5000; (215) 439-3595.

**National Lease**, One South, 450 Summit Ave., Suite 300, Oakbrook Terrace, Ill. 60181; 1-800-729-6857.

**PacLease**, P.O. Box 1518, Bellevue, Wash. 98009; (206) 455-7553.

**Penske Truck Leasing**, LP Route 10-Green Hills, P.O. Box 563, Reading, Pa. 19603-0563; 1-800-221-3040.

**Rollins Leasing**, P.O. Box 1791, Wilmington, Del. 19899; 1-800-752-2677.

**Ruan Transportation Management Systems**, 866 Grand Ave., 3200 Ruan Center, Des Moines, Iowa 50309; (515) 245-2500.

**Ryder Systems**, 3600 N.W. 82nd Ave., Miami, Fla., 33166; (305) 593-3726.

Major companies that lease cars and light trucks for use in business fleets:

**Mike Albert Leasing**, 10340 Evendale Drive, Cincinnati, Ohio 45241; 1-800-886-5828.

**AMI Leasing**, 46 W. Boylston St., P.O. Box 986, Worcester, Mass. 01613; 1-800-468-9993.

**Associates Leasing**, 2728 Coho St., Madison, Wis. 53713; (608) 271-8944.

**Automotive Rentals**, 9000 Midlantic

Drive, Mount Laurel, N.J. 08054; (609) 778-1500.

**Donlen Corp.**, 500 Lake Cook Road, Deerfield, Ill. 60015; (708) 831-0400.

**Enterprise Leasing Co.**, 700 Corporate Park Drive, St. Louis, Mo. 63105; (314) 863-7000.

**GE Capital Fleet Services**, 3 Capital Drive, Eden Prairie, Minn. 55344; (612) 828-1000.

**Lease Plan International**, 180 Interstate North, Atlanta, Ga. 30339; (404) 933-9090.

**PHH Vehicle Management Services**, 307 International Circle, Hunt Valley, Md. 21030; (410) 771-1900.

**USL Capital Fleet Services**, 2988 Campus Drive, San Mateo, Calif. 94403; (415) 572-2000.

**Wheels, Inc.**, 666 Garland Place, Des Plaines, Ill. 60016; (708) 699-7000.

**World Omni Leasing**, Commercial Division, 800 Fairway Drive, Suite 200, Deerfield Beach, Fla. 33441; (305) 360-4800.



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## TRANSPORTATION



Among minivans gaining popularity as leases is the Dodge Grand Caravan ES.

ments. And if the vehicle at the end turns out to be worth less than had been estimated, the lessee under an open-end lease can be required to pay the difference. Because Tri-City Electrical's vehicles would have little residual value at the conclusion of a lease, the cost would be prohibitively high. The company operates on a cycle of seven years or 150,000 miles. "With the cost of vehicles escalating like it is," says Beane, "you get all you can get out of one."

Every three years, Elden Stielstra, fleet manager for Wolverine World Wide, the Rockford, Mich., manufacturer of Hush Puppies and other shoes, analyzes the pros and cons of both leasing and owning vehicles.

He concludes, "I'm still convinced that we can purchase and maintain and oper-

ate our trucks more cost-effectively ourselves than through full-service leasing or dedicated contract carriage." Under the latter arrangement, a designated carrier or truck-leasing company supplies equipment, drivers, system management, and distribution design.

Backhauls help the company make ownership of its vehicles cost-effective. Wolverine World Wide's 15 heavy-duty tractors carry products from factories in Michigan, Arkansas, and New York to freight consolidators and then return with raw materials. When backhauls are not possible, or when there is more freight than Wolverine World Wide's trucks can handle, the company relies on commercial carriers.

Still, leasing proves to be a viable option for many companies. "We have been able,

in the majority of cases, to take customers through a lease-own program and run it through with our rates and all the services," says James Shiplet, president of the Truck Renting and Leasing Association, based in Washington, D.C., and president of PACCAR Leasing Corp. "We take what the customer's costs are. If we don't save them money, we are very competitive and close. Those who want to concentrate on their primary business and put their money into the company don't have to stay on top of changes in state-by-state regulations."

Leasing has allowed Brown Foodservice, Inc., a family business based in Louisville, Ky., to focus on what it does best: distribute food to institutions such as hospitals, nursing homes, restaurants, and schools. For the past eight years, Wayne Brown, the company's secretary-treasurer, has leased 12 tractor cabs and six straight trucks from Idealease.

"Idealease supplies the mechanics at our garage, and they do a good job," Brown says. "We are not good at fixing trucks. We are good at selling food. That eliminates the headache of trying to keep mechanics on the payroll and worrying about parts ... the whole nightmare of maintenance. When we count our time, it doesn't cost us more."

Looking ahead, Dick Cromwell of Idealease believes that companies will rely more and more on services provided by companies like his, including leasing, maintaining company-owned vehicles, and handling warehousing and distribution.

Many truck-leasing companies will continue to emphasize the availability of rental vehicles for meeting unexpected or seasonal needs. Ryder Systems, Inc., headquartered in Miami, has added a new City Van for rental or lease in urban areas. Made by Isuzu, the City Van ranges from Class 3 (10,001 to 14,000 pounds gross vehicle weight) to Class 5 (16,001 to 19,500 pounds GVW). Ryder calls it "heavy duty, light weight." A clear roof over the cargo area helps make loading and unloading easier by increasing interior visibility.

Ryder is enthusiastic about the automated maintenance systems it is introducing. The company expects to have all 900 of its maintenance shops in North America automated by June 1995. Technicians use a just-developed, proprietary computer diagnostic tool to pinpoint a vehicle's problem instantly and guide technicians through the appropriate repair process step by step. The new system will get vehicles in and out of repair shops quickly, Ryder says.

It is just another way that leasing, combined with sophisticated technology and management, will help businesses stay competitive. NB



The Ford Taurus LX has been a dependable performer in leased commercial fleets.



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## MANAGING

# Helping Injured Workers Heal

By Margie Markarian

**W**hen Danny O'Toole, an assembly supervisor, slipped and hurt his back in Sturdy Lantern Manufacturing's warehouse one December day, he wasn't the only one wincing with pain. George Hazerjian, the company's owner, winced, as well.

Hazerjian not only felt bad for his employee, but he was also concerned about how his company, which manufactures indoor and outdoor residential lighting fixtures, would handle O'Toole's immediate and possibly long-term absence during a critical time for the business.

The recession-worn company was operating with minimal staff, trying to ship as much of its production as possible by the end of the year and designing new light fixtures for a January trade show. With 35 years' experience, O'Toole wasn't an easy employee to replace.

Hazerjian, who employs 40 people at his plant, in Franklin, Mass., was also worried about how O'Toole's injury might affect the firm's workers' compensation premium, which was \$84,000 a year.

As it turned out, O'Toole was back on the job within a relatively short time thanks to a new type of physical-therapy program called work hardening.

"Work hardening combines conditioning with the practical, functional components of the person's job," says Melanie Ellexson, executive director of the STEPS Industrial Rehabilitation Clinic in Chicago. The program, she says, "was designed to bridge the gap that exists when a person has recovered from the acute phase of an injury but has residual problems that prevent him from returning to the job."

O'Toole performed "exercise" routines that simulated his on-the-job duties and

*Margie Markarian is a free-lance business writer in Franklin, Mass., and was editor of Rehabilitation Today magazine.*



PHOTO: SHERI FRIEDMAN-BLACK STAR

*Lighting-fixture manufacturer George Hazerjian found work hardening benefited both his injured employee and the firm.*

strengthened his weakened muscles during customized work-hardening sessions. He also learned body mechanics to minimize the chance of reinjury.

In the past five years, more and more physical-therapy clinics and hospitals across the country have developed work-hardening programs. As a result, employers are discovering how such programs can help control soaring workers' comp costs and disability payments. According to a Northwestern National Life Insurance Co. study, for every dollar spent on rehabilitating an employee disabled because of a work-related injury or illness, companies can save \$30 in wage-replacement costs, lost productivity, and escalating disability premiums.

Carol Schraub, human-resources man-

*New physical-therapy programs are speeding employees' return to the job and cutting workers' comp premiums.*

ager at Book Covers Inc., a Chicago manufacturer of paperboard products, says: "What's important for small-company owners to know is that if they don't want to pay the money for disability and workers' comp, they have to look to health-care facilities that will help them out."

Four of Book Covers' 135 employees have participated in STEPS's work-hardening program. "We've probably saved \$200,000 to \$300,000 on our premium by having our injured workers evaluated at STEPS," Schraub says. "Ergonomic changes in the workplace and classes in body mechanics have helped, too."

Because work hardening is a relatively new concept, many physicians and insurance adjusters, even those specializing in workers' comp, are still unfamiliar with it. To spread the word and assure themselves of reimbursement and referrals, rehabilitation providers spend a lot of time educating doctors, third-party payers, and employers on the benefits of work hardening.

"Unfortunately, a lot of claims adjusters are young," says Toni Clapp, former director of the Braintree Hospital Center for Occupational Rehab, where Danny O'Toole received treatment. "Many of them have never set foot into a physical-therapy department, never mind a clinic specializing in work hardening. And as far as doctors are concerned, they're so busy, it's hard to find the time to talk to them."

Physicians' lack of familiarity with work-hardening programs became apparent to Glenda Overfelt, a benefits specialist, when one of her company's cooks injured an elbow. Overfelt works for Child Inc., which operates 20 child-care centers in Austin, Texas, and has 165 employees.

"After about six months of rest, cortisone treatments, and traditional therapy, the doctor told our employee, 'We've done everything we can do for you. You're going to have to learn to live with the pain. You're ready to go back to work.'"



# Turning Dreams into Realities



The "Hitachi Promise of Tomorrow" scholarship program encourages student athletes to take the lessons learned on the football field today and teach children in the classrooms tomorrow.

## Encouraging Student Athletes to Become Teachers

During his three years as nose guard on Louisiana State University's football team, John Mawae came to know the thrill of victory and the agony of defeat. But nothing moved him more than working with disabled children in a Special Olympics held at LSU. "Seeing those kids realize their dreams against all odds really got to me," Mawae recalls. "I knew then what I wanted to do: help kids like them realize their dreams."

Mawae will get that chance, thanks in part to the "Hitachi Promise of Tomorrow" scholarship program created by the College Football Association (CFA) and sponsored by Hitachi, Ltd. Started last academic year, the program awards \$335,000 in scholarships at the 67 CFA member universities. At each university, a \$5,000 scholarship is awarded to an outstanding senior or graduate student who intends to become a teacher and has participated in the school's football program as a player, trainer, or manager. Mawae, a 1992 scholarship recipient, intends

to use his grant to pursue a career teaching kids with special needs.

"Teaching plays an important but undervalued role in society," says Charles M. Neinas, the CFA's executive director. "We'd like to encourage more student athletes to pursue this field, because we think that what they learn on the football field helps to make them effective teachers in the classroom."

Nicole Hagner, a recent University of Pittsburgh graduate, agrees. "Athletics teaches you that it's possible to turn the right dream into a reality through hard work, discipline and teamwork. I'd like to bring that lesson to the classroom," she says.

Hagner, who served as a student trainer on Pitt's football team,



Nicole Hagner, University of Pittsburgh graduate and 1992 scholarship recipient.

plans to use her grant to become certified as a high school biology teacher.

As college football fans and parents of school-age children, we are proud to be a part of the "Hitachi Promise of Tomorrow" scholarship program. We hope that it helps more student athletes like John and Nicole to realize their dreams of becoming teachers.

# HITACHI



## MANAGING

Overfelt says. "Well, we certainly didn't want her working with pain, so we recommended she see a physician who was familiar with work hardening. The doctor re-evaluated her and referred her for treatment. She had intensive therapy for two weeks and came back full time with no problems since."

Employers who think their injured workers could benefit from work harden-

ing can call their employee's doctor to discuss treatment possibilities. They can also contact their workers' comp insurance company to coordinate treatment, or send the employee directly to a work-hardening provider or physician familiar with this type of therapy.



**At STEPS Clinic,** Alison Smetana helps carpet installer Jeff Tofte use job skills in rehabilitation after elbow surgery.

ing can call their employee's doctor to discuss treatment possibilities. They can also contact their workers' comp insurance company to coordinate treatment, or send the employee directly to a work-hardening provider or physician familiar with this type of therapy.

Although state laws vary, an employee's failure to comply with a work-hardening prescription can result in a reduction or elimination of workers' comp benefits. (See also "Choosing A Rehab Facility," at right.)

**A**n aspect of work hardening that sets it apart from traditional physical therapy and exercise programs is that it usually takes place in a nonclinical setting. "Our clinics don't look like normal rehabilitation facilities," says Ellexson, executive director of the STEPS clinic. "There are shovels, tools, rakes, and forklifts here. We work with a

lot of drivers for beverage companies, so we have soda and beer cases for stacking and lifting. For firefighters, we have paramedic equipment, hoses, and ropes. For contractors, we have an area where they can hang dry wall, lay carpet, and do electrical work."

At the Return to Work Center in Quincy, Mass., clients punch in and out on a time clock and take scheduled coffee and lunch breaks. The center is located in a 6,000-square-foot warehouse situated among other industrial buildings. "This is job-related therapy in a job-related setting," says Bill Boyle, program director at the center. "There's no fancy equipment. We have a hard-hat area, a loading dock, ramps, assembly lines, and telephone poles. The objective is to simulate the work environment in every way possible." The Return to Work Center operates six facilities in New England.

A typical six-week work-hardening program generally costs \$3,000 to \$5,000. Physical therapists supervise daily regimens that combine exercises to improve strength, flexibility, and endurance with the actual practice of work tasks. Therapists update regimens regularly as injured workers regain strength and mobility.

When Danny O'Toole started his program at the Braintree Hospital Center, he could lift only 5 pounds. By the end, he could handle 35 pounds.

"Our programs usually start out with about two hours of work hardening and progress to a full eight-hour day," says STEPS's Ellexson. "But once people can handle an eight-hour day, we don't keep them much longer. If a person can handle eight hours here, he can handle eight hours on the job."

Many facilities offer programs that include four hours of work hardening at the rehabilitation facility and four hours of "modified" or "transitional" duty at the work site. Such was the case for O'Toole, who worked mornings at Sturdy Lantern and attended work-hardening sessions in the afternoon.

Some of the simple steps O'Toole took to modify his job included taking a stretch or a short walk around the plant after sitting or standing in one position for 20 minutes. And he makes sure that the

## Choosing A Rehab Facility

If you're looking for ways to improve your management of work-related injuries, consider having a consultation with an industrial-rehabilitation provider. Staff physical therapists are trained to assess functional capacity, design work-hardening and work-conditioning programs, analyze ergonomics, and teach safety awareness and body mechanics. They can also do pre-employment screenings and write job descriptions to comply with the Americans with Disabilities Act.

Following are some pointers on choosing an industrial-medicine provider:

1. Tour the facility. The setting should be more industrial than clinical. The idea is to create an atmosphere and environment similar to an actual job site.

2. Ask about accreditation. Although there are some fine facilities without accreditation, most of the nation's leading providers are accredited by the Commission on Accreditation for Rehabilitation Facilities (CARF), in Tucson, Ariz. Some workers' compensation boards will not reimburse the employer unless the facility is CARF-accredited.

3. Find out how the provider will keep you informed about employees' progress. Most industrial-medicine providers pride themselves on good communication. They send weekly reports on each employee's progress, attitude, and readiness to return to work.

4. Think about accessibility to employees. Many providers have multiple locations in a metropolitan area. This can be a big plus if your employees are geographically dispersed. For employers interested in modified work-hardening programs, a facility near headquarters may be better. Employees won't waste a lot of time shuttling between rehabilitation and work.

5. Ask for outcome studies. Most facilities have conducted outcomes analyses of their clients. These include statistics on the percentages of employees who have participated in work hardening and have returned to work successfully without further incidents.

6. Remember, doctors still do the referring. So it's wise to encourage your company's doctor and your employees' doctors to visit the site, talk to the rehabilitation professionals, and learn about work hardening.



## MANAGING

sheets of glass he handles are cut to less-cumbersome sizes.

Terry Pfister, chief financial officer at Interfab, a Cincinnati-based heavy-steel fabricator, is a proponent of modified duty: "It's better to have a good employee here part-time than not at all. We employ 95 welders, and they aren't easy to replace. Three years ago, our injured workers never returned for light or transitional duty. But we had to look for new ways to manage injuries. So we now try to restructure their jobs while they participate in work-hardening programs."

When one of Interfab's best grinders, for example, was found to have cumulative trauma disorder, the solution was work hardening and job restructuring. He now does grinding for only 15 minutes at a time.

Before starting a work-hardening program, the person undergoes an assessment of functional capacity—a check of about 26 different motions and movements required for work in general. Therapists also conduct a physical-therapy exam and interview the injured worker on his or her medical history, the job's activities, the work environment, the location, and the degree of pain.

The physical therapist often visits the job site to observe how the work is done and recommend temporary or permanent modifications in the person's job activities to prevent further injuries and keep the employee comfortable.

In addition to overseeing work-hardening treatment, rehabilitation providers

**"If work hardening is appropriate, then it's a win/win situation for the employer and the employee."**

—George Hazerjian,  
Owner, Sturdy  
Lantern Manufacturing

offer a host of other services, many of which are designed to minimize the risk of injuries.

For example, they perform ergonomic analyses of the workplace and make recommendations, conduct back clinics, and teach body mechanics and safety classes.

They also do pre-employment screenings and prepare job descriptions for companies concerned about complying with the requirements of the Americans with Disabilities Act, the federal law that protects people with disabilities from employment discrimination.

Most rehabilitation providers offer traditional physical-therapy treatments as well.

Since Child Inc. started sending injured employees for work-hardening treatment and teaching its employees

about proper body mechanics, it has reduced its workers' comp premium from \$101,000 to \$80,000 and has cut injuries among its workers by 12 percent. Glenda Overfelt, Child Inc.'s benefits specialist, also reports that injuries are less serious and that there are fewer and shorter employee absences.

"Our teaching staff bends and stoops 20 times in an hour," Overfelt says, "and those preschoolers can weigh up to 40 pounds. Our cooks do a lot of repetitive actions: paring, slicing, stirring, putting food on plates, reaching up for supplies. Things were simply getting out of control. We had to do something."

**E**ssential to the success of any work-hardening program is communication—both written and oral—between employer and rehabilitation provider, employer and employee, rehabilitation provider and employee.

"Before we started working with the Bethesda Work Capacity Center, there was an information void," Pfister says. "We never knew how long the employee would be out, and the employee didn't know how he was doing. Now, we get a written plan that tells us how long the person will be in therapy, how often he has to go, how long the sessions are, what we can expect to see, what he's capable of doing, and when he will return to work."

A successful work-hardening program also sends several important messages to all employees. One is that the company cares about injured workers and wants to see them return to work. Another is that it's hard to fake an injury in an aggressive rehabilitation program.

"I have run into situations where people come and say, 'I hurt my back,'" says Shraub of Book Covers. "I tell them, 'Come in my office. I'll get you an appointment to see the doctor within an hour.' Sometimes, they start hedging. They want to see their own doctor. The truth is, if I send someone to STEPS and there's nothing wrong, the staff there is going to tell me and the employee. That saves money."

Work hardening can also allay a worker's fears about returning to work after a painful injury and keep the injured employee from developing a disability mind-set.

"If work hardening is appropriate, then it's a win/win situation for the employer and the employee," says Sturdy Lantern's George Hazerjian. "It brought Danny back quicker and built up his confidence that he can perform his job. For me, it helped because I have a valued employee back on the job and I'm not paying out workers' comp for an extended period."

## Work-Hardening Providers

Although work hardening is a relatively new specialty within the rehabilitation field, many national and local providers offer such services. Following is a list of some of the best-known companies offering industrial-medicine services.

■ Bethesda Work Capacity Centers, 8044 Montgomery Road, Cincinnati, Ohio 45236; (513) 891-1622. Contact: Lisa Perry.

■ Caremark Centers for Industrial Rehabilitation, 900 N. National Parkway, Schaumburg, Ill. 60173-5135; (708) 995-7850. Contact: Greg Soderberg.

■ Continental Medical Systems, 600 Wilson Lane, Mechanicsburg, Pa. 17055; (717) 790-8491. Contact: Outpatient Services Department.

■ HEALTHSOUTH Rehabilitation Corp., 100 S. Colorado Blvd., Glendale, Colo. 80223; (303) 757-3555. Contact: Candace Constan.

■ Keystone Rehab Systems, 665 Philadelphia St., Indiana, Pa. 15701; 1-800-322-0498. Contact: Mike Fournier.

■ Rehabity Corp., 1111 Westwood Place, Suite 210, Brentwood, Tenn. 37013; (615) 377-2937. Contact: Dwight Tew.

■ RESULTS Physical Rehab, 2045 Hurley Way, Sacramento, Calif. 95825; (916) 921-9878. Contact: Steve Marks.

■ The Return To Work Centers, 47 Jackson St., Holyoke, Mass. 01040; (413) 532-3800. Contact: Chuck DeTatto.

■ STEPS Industrial Rehabilitation Clinic (affiliated with Schwab Rehabilitation Hospital), Pebblewood Plaza, 16246 Prince Drive, South Holland, Ill. 60473; (708) 596-2111. Contact: Melanie Ellexson.

■ Workwell Institute for Work Assessment and Reconditioning (affiliated with DRCA Medical Corp.), 3 Riverway, Suite 1430, Houston, Texas 77056; (713) 439-7511. Contact: David Evans.

For additional names of work-hardening facilities, contact the Commission on Accreditation for Rehabilitation Facilities, 101 N. Wilmot Road, Suite 500, Tucson, Ariz. 85711; (602) 748-1212.

To order a reprint of  
this story, see Page 90.  
For a fax copy, see Page 62.



# What, What Not To Keep On File

By Anthony J. Mohr

A high-school junior working for the summer at a factory in California was assigned by the company to write a memo on the plant's safety. He spent a week looking around, noting such problems as greasy floors and crates blocking emergency exits. To spice up his report, he got quotes from the shop's employees. He gave the 15-page memo to the company's president and to several other employees who asked to read it.

The company, then called International Fiberglass, which was based in Venice, Calif., was lucky. It corrected the safety hazards before anybody got hurt.

Had an accident occurred, the problems noted in the report could have resulted in a big judgment against the company as a result of violations of federal safety laws.

The way many businesses handle their record keeping could work against them in the event of a lawsuit. Putting everything in writing is not always advisable. Litigants have a right to read and copy files pertinent to their complaints. Such files are where attorneys go first when they are looking for incriminating evidence.

If sensitive topics cannot be handled orally, the safest procedure is to address a memo to the organization's lawyer. This invokes the attorney-client privilege, which protects from disclosure all communication between a lawyer and a client.

Any contract, however, should be documented. David Pasternak, a Los Angeles lawyer and court receiver who manages troubled businesses, recalls an Italian designer who engaged a Los Angeles couple to distribute a product.

"They tried to write their own contract to save attorneys' fees," Pasternak says. "Now they're paying for lawyers and a receiver."

Several traps exist relative to record keeping that may cause an unfavorable judgment. Here are some things you can do to avoid trouble:

■ Don't write on file folders. File jackets can be subpoenaed. Several years ago a Seattle insurance com-

pany had to settle a case because a supervisor had scribbled the word "thorough" on the cover of a policyholder's record. That caused the judge to suspect that the company was subjecting the policyholder to unusual scrutiny.

■ Read correspondence before it goes out. A Utah real estate agent had an oral agreement with a broker to receive commissions for arranging shopping center leases. He told his secretary to send a letter confirming the arrangement. She wrote to the broker, "I would like to reach an agreement with you and have it reduced to writing."

The real estate agent was too busy to review the letter and asked the secretary to sign it for him.

The agent sued the broker for payment of the commission, but at the trial the broker denied that an agreement existed, displayed a blown-up copy of the letter to the jury, and won.

■ If your files are subpoenaed, do not produce them as they are maintained in the ordinary course of business. Doing so allows a good lawyer to learn more about the company than he or she would if the

*How you handle your record keeping can have a big impact if your company is ever sued.*

records had been produced in the order called for in the subpoena.

■ Computer files are "documents" and can be dangerous. After she was fired, a woman sued her former company and learned in pretrial discovery that the company's president had sent an electronic-mail memo to the head of personnel asking him to get rid of her. The message, which referred to the woman in vulgar language, was supposed to have been deleted, but it wasn't. The company settled by paying the woman \$250,000.

Michael J. Patrick, a Palo Alto, Calif., lawyer who wrote about the incident in the *National Law Journal*, commented that "much of the evidence on which attorneys can build their case will be found in the opposing party's E-mail." He says business owners routinely review files and delete those that are not needed.

■ A record-retention policy should cover all company files, including phone records, and provide for their destruction after statutes of limitations expire. In most states, that means records of contracts, business arrangements, personnel matters, product development, and sales should be held at least four to six years. Real-estate developers should retain records even longer. Some states allow up to 10 years to sue for latent construction defects.

■ Don't selectively discard papers. New products inevitably attract complaints that executives tabulate for reference. Yet others may write letters praising the item. Those compliments are invaluable in litigation. If no one saves them, the jury will only see the criticisms.

■ Maintaining complete employee files is crucial when someone is terminated. "Juries tend to believe that if you wrote it down, it must be true," says Edith Dinneen, a Los Angeles labor lawyer. "If you decide to fire someone, the file contains nothing bad, and then you testify that you reprimanded him 17 times, his widgets were not in proper order, and, oh, yes, I talked to him about it, it doesn't carry the weight of 17 pieces of paper. 'Once you have created those 17 pieces of paper, keep them.'"



ILLUSTRATION: WILLIAM COLLIER

Anthony J. Mohr is a Beverly Hills, Calif., lawyer specializing in business litigation.



## TECHNOLOGY

# Environmental Expertise

By Laura M. Litvan

**W**illiam Higdon is always keeping an eye out for ways to expand his 13-year-old company, which provides other businesses with sensitive instruments that measure pollution levels.

Nevertheless, it was with some hesitancy that Higdon, president of Microsensor Technology Inc., in Fremont, Calif., recently visited the nation's capital to find out about a potential new business partner: the U.S. government.

The Clinton administration has selected Higdon's industry, environmental technology, as a participant in a government-and-business partnership to expand exports of pollution-monitoring and clean-up technologies.

In a step to implement the strategy, the U.S. Environmental Protection Agency announced in January a \$36 million grant program to promote U.S. commercial development of new environmental technologies that could be useful in this country and overseas.

Despite his own wariness and that of business in general about government efforts to bolster a particular industry, Higdon says that if the federal government works in concert with businesses to lay the groundwork for a partnership, it might succeed and ultimately help him identify ways to boost his business. Consequently, he found himself taking copious notes at a recent industry briefing in Washington on the administration's initiatives.

Higdon's 45-employee company makes extremely small instruments that use semiconductor technology to identify and measure pollutants in air, water, and soil. His business is primarily domestic, but as demand for high-technology environmental goods expands overseas, he says, U.S. firms such as his are well-positioned to help businesses abroad comply with new mandates.

He also realizes, though, that it won't be simple. While there is demand for clean-up technologies in industrialized nations, which generally have strict environmental-protection laws, there is less demand for anti-pollution technologies in developing nations, where regulations tend to be less stringent. Thus, large orders of environmental goods and services are likely to come more slowly from these countries.

"Our market is so much further ahead



PHOTO: ROBERT HOLMSTROM

**Pollution-detecting** instruments made by William Higdon's firm are typical of the "envirotech" products the administration is helping to promote for overseas markets.

than the international market" in incorporating pollution technology, Higdon says.

Nevertheless, the potential for environmental-technology companies appears quite promising. The worldwide market for environmental goods and services was about \$295 billion in 1992, according to Environmental Business International Inc., a publishing and research firm in San Diego. More important, the market will grow to \$426 billion by 1997, the firm estimates.

The countries best-positioned to take advantage of this growth, according to a recent report by Congress' Office of Technology Assessment, include the United States, Japan, and Germany. In those countries, according to the report, environmental laws are strict, and, partly as a result, their environmental businesses are growing.

Higdon's firm is just one of about 34,000 U.S. companies in the "envirotech" industry, whose companies offer a wide range of goods and consulting services that help businesses and governments comply with environmental laws.

*A government initiative could stimulate overseas sales of environmental equipment made by U.S. companies.*

Many of these companies manufacture equipment for measuring emissions of toxic substances. Others help businesses reduce emissions of pollutants, conserve energy, and clean up hazardous-waste sites.

**P**assage of laws such as the Clean Air Act, the Clean Water Act, and the Resource Conservation and Recovery Act in the 1970s imposed extensive requirements for pollution control and significantly expanded markets for equipment and services needed to comply with the regulations.

Numerous other laws, including the Superfund law for cleanup of hazardous-waste sites, have followed.

The domestic market has matured, however, and growth has slowed, so U.S. companies are giving more attention to generating sales in other countries.

The Clinton administration sees its promotion of environmental technologies as consistent with its goal of fostering exports to boost economic growth and helping businesses in the United States



## TECHNOLOGY

become more competitive in overseas markets.

The administration is also pursuing strategies to encourage other industries, including semiconductors, transportation, information infrastructure, advanced manufacturing technologies, and defense technologies that can be adapted for civilian uses as well.

The administration's strategy for increasing exports of environmental products and services—developed jointly by the Commerce Department, the Environmental Protection Agency (EPA), and the Energy Department—has resulted in the following:

- The three agencies are establishing an Environmental Technologies Trade Advisory Committee, composed of trade groups and businesses; it will advise the government as it develops programs to expand exports of environmental goods and services.

- All activities in federal agencies that support research and development of new environmental technologies will be coordinated.

- An interagency group, the Trade Promotion Coordination Committee (TPCC), is designating the most promising countries in which to market U.S. environmental goods; marketing plans will be developed for each overseas nation that is identified. The committee has been directed to give top priority to Mexico, Central America, and South America and to implement intense marketing efforts in that rapidly growing region by late this fall.

- The administration will place five envirotech experts in U.S. trade positions overseas within the next year to support U.S. exports.

- The TPCC will come up with ways to disseminate information more effectively about export financing programs to small environmental-technology firms.

Carol Browner, administrator of the EPA, says production of new pollution-control devices could fit in with her goal of developing a more flexible approach to domestic environmental regulations, with the agency helping individual industries find effective, state-of-the-art approaches to cleaner production processes.

"It is clear to all of us who work in this field that we must have a new generation of environmental-technology products if we are going to have a new generation of environmental protection," Browner says.

The \$36 million EPA grant program to encourage development of environmental technology includes 73 projects so far, and it will grow much larger if Congress approves a budget request for fiscal 1995



PHOTO: STEPHEN HOWARD

**A rule change** once left Donald Steele up in the air with his patented, energy-efficient ventilation system.

for \$80 million for the program. Some projects are designed to help specific industries find cleaner ways to produce products, largely through technical assistance from the government.

For example, one project will help electroplating and metal-finishing companies, which are typically small firms, find alternative chemicals to use in their manufacturing processes. These firms typically use a number of pollutants such as acids and chlorinated solvents in working with metals.

Some of the other projects would open

up federal laboratories as testing sites for new devices that would assist in cleaning up hazardous-waste sites, monitoring smoke-stack pollution at factories, and removing pollutants from municipal drinking-water systems.

As the Clinton administration's strategy has unfolded, agencies have sought extensive input from industry, says Donald Connors, president of the Environmental Business Council of the United States Inc., a Needham, Mass., organization of envirotech firms.

For example, at a recent business council briefing about the initiatives, representatives from the administration asked those who attended to fax to the White House their suggestions on how to make the partnership most useful in expanding the industry.

**O**n Capitol Hill, numerous pieces of legislation related to environmental technology are making their way through congressional committees. One is a measure introduced by Sen. Max Baucus, D-Mont., who chairs the Senate Committee on Environment and Public Works.

Baucus' bill, which was recently endorsed by the White House, would, among other things, create a Bureau of Environmental Technologies at the EPA to "support and assist" the development of new products and services and provide information about export opportunities.

Four other wide-ranging bills also generally mirror the administration's objectives, either by coordinating federal programs that promote exports or by funding research and development activities.

One such bill, introduced by the chairman of the House Committee on Science,

## Information Sources

Small environmental-technology firms that want to learn more about government efforts to increase research and sales in their industry can contact these groups and agencies for information:

- The Clinton administration's Environmental Technology Initiative provides development grants for new technologies; call the U.S. Environmental Protection Agency's small-business ombudsman at 1-800-368-5888.

- The U.S. Department of Commerce's new Office of Environmental Technologies Exports provides information on trade-expansion opportunities; (202) 482-5225.

- The U.S. Environmental Technology Export Council offers basic information about efforts in Washington, D.C., to increase trade opportunities. The council, based in Washington, D.C., is an industry group created to stimulate exports of environmental products; it hosts periodic environment-related trade conferences. Call (202) 466-6933.

- The Environmental Business Council of the United States Inc., a new group that is following the environmental-technology partnership programs, will offer small-business owners background papers on some initiatives under way. Call (617) 449-5600.



Space and Technology, Rep. George Brown Jr., D-Calif., would devote a requested \$80 million for the EPA grant program next year, with an additional \$120 million to be set aside for the program for fiscal 1996.

Brown's measure would also create a new Environmental Quality Award, modeled on the Malcolm Baldrige National Quality Award, to recognize businesses that make technological innovations with environmental products.

Despite all the activity, Connors of the Environmental Business Council says one key point his group is emphasizing is the need for government to be consistent in the messages it sends about the future of domestic environmental regulations. Market potential will likely continue to be determined by U.S. laws, and the question of whether those laws are to be eased, tightened, or unchanged is critical to industry planning.

Airxchange Inc., a 40-employee company in Rockland, Mass., once encountered problems when regulatory priorities changed. The firm had developed an energy-efficient air-ventilation system, and managers saw opportunity when federal regulators in 1981 considered requiring such a system in mobile homes.

After the company invested in designing products to meet the expected requirement, however, the federal regulators made such a system optional, not mandatory. Says Donald Steele, the firm's president: "Here we went out to address a problem, and the government changed gears on us."

**T**he envirotech industry is encouraged by current proposals that would provide incentives for use of new technologies. Under the administration's Clean Water Act proposal, for example, companies or local governments would get additional time to comply with water-discharge regulations if they adopt new technologies that are likely to be more effective than old methods of pollution prevention and control.

And under its proposal for revising the Superfund law, the administration would add a provision requiring the government to pick up a portion of the cost of any extra clean-up expenditures arising from the failure of an innovative pollution-cleanup technology.

Although envirotech companies are encouraged by these kinds of incentives, companies outside that industry may not see opportunities in the prospects for environmental laws. Pending changes in the Clean Water Act, the Superfund program, and other environmental statutes, plus the continuing implementation of the Clean Air Act amendments of 1990, could well cause new burdens for businesses because of the increased regulation likely to result.

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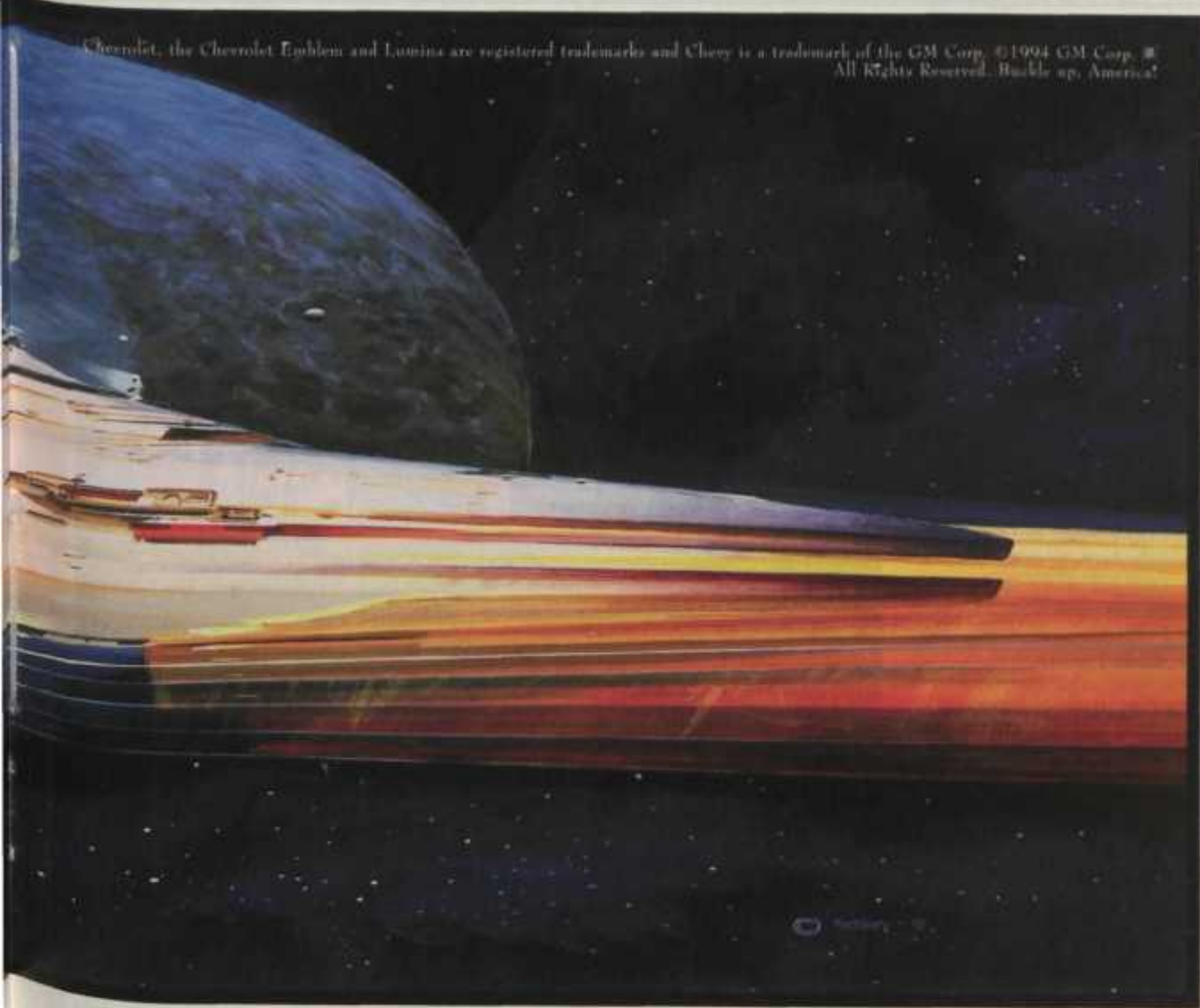


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## SMALL-BUSINESS COMPUTING

# Tools That Make Big Impressions

By Ripley Hatch

**T**he blending of some combination of words, sound, still images, and moving pictures into a single digital "document," a technique known as multimedia, arguably has become today's hottest technology.

Lance Elko, editorial director of the multimedia magazine *CD-ROM Today*, estimates that about 2.5 million personal computers already contain the most basic multimedia component, a drive that accommodates compact disks with read-only memory (CD-ROMs). And Computer maker Gateway 2000 Inc., of North Sioux City, S.D., estimates that about 70 percent of personal-computer orders this year will call for a CD-ROM drive.

At its inception several years ago, multimedia was more an entertainment and educational tool than a means of assisting mainstream businesses. But now the technology has matured to the point of offering business users an elegant and effective way to make sales presentations and, with the smarts of a computer available, a means of conducting interactive training sessions in which employees or customers can learn at their own speeds.

Even more imaginative business uses of multimedia are emerging rapidly: interactive kiosks in stores and malls that can point consumers to the stores or merchandise they seek; CD-ROM catalogs of products and services that can be sent to suppliers and customers with updates as needed; and updates for manuals, complete with demonstrations of new techniques or equipment.

Like computers themselves, multimedia is particularly important for small businesses because it "allows them to appear bigger than they are," says John C. "Bud" Colligan, president of San Francisco-based Macromedia, a large supplier of multimedia software.

"Whether it's a presentation, or a point-of-sale kiosk, ... or a sales proposal done interactively on a hard or compact disk, multimedia allows small businesses to communicate and project themselves in a way only larger companies could before," Colligan says.

A number of small companies have sprung up to provide multimedia business services, many started by former employees of Macromedia.

For example, Gualco Consulting of Gold River, Calif., develops multimedia presen-

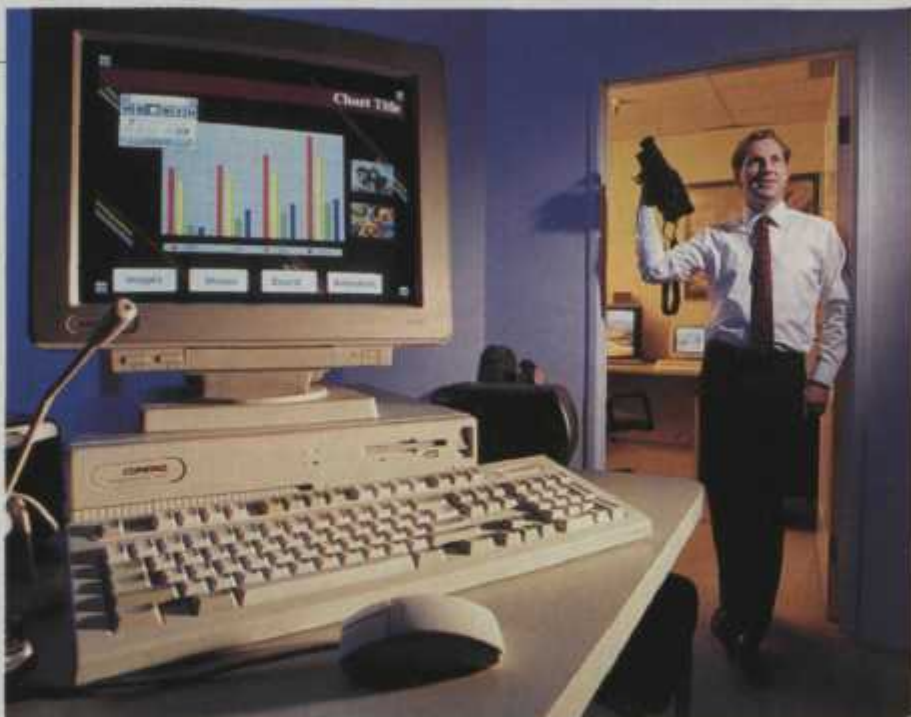


PHOTO: GREGORY HOLMGREN

**Project manager Dan Desmond of Gualco Consulting, in Gold River, Calif., uses videos from customer sites to personalize clients' marketing presentations.**

tations in support of clients seeking project permits from government agencies. Dan Desmond, project manager for Gualco, says the company's core business is presenting data in overhead projections using interactive spreadsheets and graphs. Instead of flat, two-dimensional charts, there can be three-dimensional charts that can move on the screen and be updated instantly under "what-if" scenarios.

Agencies that grant permits are more likely to agree to a project if the information can be looked at a number of ways, Desmond says. "It's about getting and keeping attention," he adds.

Gualco also makes videos at customer sites and converts them into still images, which the customer uses to personalize and illustrate quick and inexpensive yet effective marketing presentations. In addition, the company creates interactive presentations. Or entire presentations are converted to videotape, which, though not interactive, can be dealt with easily. "It's not a broadcast-quality production," says Desmond, "but it is a very effective way of communicating. Some people are uncomfortable with a computer disk. Nobody is uncomfortable with videotape."

*Multimedia is maturing to the point of becoming an elegant and effective sales and training technology.*

**M**ultimedia would be impossible without the CD-ROM. This deceptively simple little shiny platter is the only low-cost medium capable of storing the vast amount of digital data that multimedia requires. A single CD can hold up to 660 megabytes of data, or three times as much as the average PC hard disk.

CD-ROM publishers will sell about \$4.8 billion worth of CD-ROM programs and data bases to business customers this year, according to Business Research Group, a Newton, Mass., firm that specializes in technology market research. Many of those CD-ROM titles could be extremely useful to small businesses, says Elko of *CD-ROM Today*. He points to data bases whose contents range from U.S. census information to sources of capital. The *CIA World Fact Book*, for example, can help anyone interested in international business, he says.

Other popular disks offer huge lists of telephone numbers that can be sorted at will by telemarketers. A patent disk from Rapid Patent, of Arlington, Va., offers not only patent information but also assistance in formulating a patent search. Intuit Inc. of Menlo Park, Calif., now



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## SMALL-BUSINESS COMPUTING

offers its best-selling financial organizer program, Quicken, on a CD that also contains vast amounts of investment and money-management advice. Atlanta-based Peachtree Software Inc. offers its accounting program on CD with supporting information and reference material not found in the floppy-disk version.

The hardware required to publish your own CD-ROM disks is expensive; less-expensive units start at about \$5,000. If you want only to archive your records on a CD, it can be pretty pricey. Late last

year, however, Sir Speedy, the quick-printing franchise, began offering Team CD service at some stores. Small businesses can go to a participating Sir Speedy franchise and put any kind of recordable material on disk for less than \$50. Typically, a firm would use such a service to put onto a CD a document such as a three-page brochure with color photographs. Depending on the number of photos and the amount of text, a CD might hold the equivalent of two or even three such brochures.

Sir Speedy franchisees can also help customers put together complete multimedia presentations on CD. This can get expensive—almost \$50 a slide. Yet there's great appeal in having a presentation on CD so that it can be carried easily and shown on a portable \$350 CD player or a portable computer with multimedia capabilities.

"There's a lot of interest" in the new services, says Tom Kurz, a Sir Speedy franchisee in Tucker, Ga. Kurz uses the service himself to cut the costs of preparing color photos for printing in brochures

## Music To Your Ears

By Jon Pepper

No multimedia element attracts the attention of users as quickly as high-quality sound. After all, computers have long produced dazzling on-screen images, but the concept of high-fidelity audio, sound effects, speech input, and other elements of sound is newer and more novel.

More and more, computers are being shipped with sound cards installed so that there is little the user must do to reap the benefits of sound from multimedia software applications. For business users, beneficial capabilities include adding music and audio special effects to presentations and annotating word-processing documents and spreadsheets with voice notes.

If your computer system doesn't have sound capabilities, however, adding them requires some thought and often a large measure of computer-system tinkering.

If your computer has no multimedia ability—that is, no CD-ROM drive and no sound card—you may want to consider one of the many multimedia upgrade kits now on the market. For prices ranging from about \$400 to \$1,000, these kits include a CD-ROM player, speakers, a sound card, software, cables, and usually several CD-ROM titles, which may be useful to your business.

One of the best upgrade kits is the Memphis package from Media Vision of Fremont, Calif. Memphis is a stylish system that includes two futuristic-looking speaker towers and a box with the CD-ROM and wiring inside. The only item to be installed inside your PC is a card that can be put in with the aid of a screwdriver; all the cabling connects from the card to the Memphis box. The box can be placed anywhere near the computer.

The sound capabilities from Memphis include a 20-voice synthesizer, 16-bit digital playback and recording, and a port for connecting musical instruments or MIDI (musical instrument digital interface) control devices to your PC. The speakers supply excellent sound, with a volume



The Memphis multimedia upgrade package from Media Vision combines high performance and style.

control on the top of the box that houses the double-speed CD-ROM drive.

Of the five CD-ROM titles included, only the Compton's Interactive Encyclopedia is likely to have value for your business (the others are games). List price is \$999.

If you already have a CD-ROM drive, then you need only add a sound card and speakers to your system.

Numerous sound cards are available, and if you aren't particularly discriminating in your audio taste or requirements, you'll find that almost any card will do a credible job.

There are some differences, however, and we've found the cards from Turtle Beach, in York, Pa., to be among the highest in quality. One we recommend is

the Multisound card, a professional-level card that includes 16-bit digital audio, 126 musical-instrument samples, and more. The board will fit into any 16-bit slot in your system and retails for \$599.

Another good-quality card is the new Sound Blaster AWE32 from Creative Labs of Milpitas, Calif. Based on a sophisticated digital signal processor (DSP), the board can handle text-to-speech synthesis for voice annotation of documents. List price is \$399.95.

For the budget-minded, Creative Labs offers the original Sound Blaster card in both 8- and 16-bit versions, for list prices of about \$125 and \$220, respectively.

Even the best sound card, however, won't deliver its maximum potential if you have less than sterling speakers attached to your system. As with a stereo system, so too with a multimedia PC: Tinny speakers yield tinny sound.

The Bose Acoustimass-3 system—one of the best—has two speaker cubes you can place near your PC and a large bass speaker with an amplifier you can locate anywhere in the room. List price: \$699.

Another fine option is the YST-M10 powered monitor speakers from Yamaha. Designed to produce rich bass response (down to 80 hertz), the Yamaha speakers have 10 watts of power per channel and measure 3<sup>13</sup>/<sub>16</sub> by 8<sup>1</sup>/<sub>4</sub> by 6<sup>3</sup>/<sub>8</sub> inches. They require little desk space and work well with multimedia and audio applications. List price is \$149 (or about \$99 from discount retailers).

One of the most popular brands of speakers is Labtec. Its CS-550 model, available for around \$29 per pair, offers front-mounted controls and a headphone jack, and it works with either AC or DC power. While this model may not offer the same room-filling, presentation-quality sound of the Bose or Yamaha speakers, you may not want that much sound in your place of business anyway.



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## SMALL-BUSINESS COMPUTING



PHOTO: STON SOBOLSKA-BLACK STAR

**Multimedia instructor Larry Padilla of Rutgers University says small businesses can obtain low-cost multimedia presentations from free-lance producers.**

and for archiving brochures that might need to be reprinted.

In addition, many specialists in multimedia presentations are starting service businesses, says Larry Padilla, an instructor in multimedia at Rutgers University in Camden, N.J. "Just as a small business can go out and find a graphic artist who will follow through a printing project, multimedia production is getting sufficiently 'out there' that a small business could find a free-lancer at a good

price," he says. "As a result, you can get files onto a CD medium, as opposed to paper, within the price range of what small businesses are used to paying for paper. If it's not cost-effective for them today, it will be very quickly."

Macromedia's Colligan says he thinks that CD is not the only form of multimedia distribution that will be available for small companies in the near future. It will be just one type of station on the information superhighway—the rapidly expanding in-

ternational computer network that already links hundreds of thousands of computer users. "I think what's going to happen is that you'll be able to open a small 'store' on a computer network," he says. "You'll be able to rent 'space' from America On-Line or CompuServe or another on-line service provider. Then someone can browse your store interactively and make their purchase."

One of the areas of multimedia that is growing quickly yet is easily overlooked is sound. Some PC sound cards contain chips that can theoretically perform all the operations of an answering machine, fax machine, sound card, modem, and more. The makers of these cards see their products as tools for expanding opportunities for small-business communications.

Says Ed Esbrer, president and chief operating officer of Creative Labs, the largest producer of sound cards: "The telephone is still the lifeline for the small business, and one of the most important evolutions you'll see towards the end of this year and next is the integration of sound cards with telephone capability."

What that means, says Esbrer, is that you'll be able to handle telephone answering and, with appropriate software, have the machine read your electronic mail to you. Or, you'll be able to enter information by voice into a spreadsheet or a data base.

Esbrer soon expects to produce sound cards that will connect small-business offices to the information superhighway—even while it's still under construction. ■

## A Multimedia Workhorse

The best portable computers we've tested for making multimedia presentations are those in the Hurricane line by Aquiline Inc., a relatively small, seven-year-old firm in Troy, N.Y.

The top-of-the-line Hurricane is powered by the 75 megahertz (Mhz) version of Intel Corp.'s new 486DX/4 microprocessor, among the fastest information processors available. In comparison, base models of Intel's Pentium processor line and Apple Computer Inc.'s PowerMAC desktop series—both highly touted for their speed—are only 60 Mhz. (Mhz is a measure of information-processing speed.)

The high-end Hurricane we evaluated sported an extraordinarily fast, 540 megabyte (MB) hard-disk drive, which provides immense storage capacity for a notebook, and a 3½-inch floppy-disk drive. It also came with 8 MB of random-



**Hurricane portables from Aquiline Inc. are ideal for multimedia presentations.**

access memory (RAM), which is ample for most business applications, though configurations of 4 MB and 20 MB are available. Our unit also boasted a chip that allows for faster graphics processing and a 10-inch, active-matrix color display (by NEC Corp., a flat-screen technology leader). This state-of-the-art chip/display combination produced the fastest, sharpest, brightest video we've seen in a portable computer.

Hurricane's multimedia features include an excellent built-in sound chip to let you add high-fidelity stereo audio to your presentations, and an optional 5¼-inch, double-speed drive for playing compact disks with read-only memory (CD-ROMs).

All of these features come with a package adorned with a comfortable keyboard, an ergonomically correct trackball-style pointing device, and a full complement of expansion slots and ports for adding niceties such as a fax/modem, a network adapter, a printer, and a full-size external keyboard and monitor.

A fully loaded Hurricane weighs under 10 pounds and runs for several hours per battery charge, depending on disk-drive use.

Not surprising, the price for the Hurricane, fully equipped, is about \$10,000. But a computer that allows even the most demanding business user to work in the office or on the road without making compromises could be well worth it.

Aquiline can be reached at (518) 272-0421.  
—Albert G. Holzinger



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## MANAGING

# Call It "Supplier Satisfaction"

By Michael Barrier

**T**he watchword in quality-management circles is "customer satisfaction." Orient your business toward satisfying the customer, the thinking runs, and everything else—including profits—will follow naturally.

But a business that is genuinely concerned about satisfying its own customers may still be a terrible customer itself, making life hellish for its suppliers by constantly beating them down on price and insisting on special treatment.

The late W. Edwards Deming, the quality movement's greatest prophet, condemned such practices. "How can a supplier be innovative and develop economy in his production processes," he asked, "when he can only look forward to short-term business with a purchaser?" Deming called instead for "a long-term relationship of loyalty and trust" between a business and its suppliers.

In recent years, a growing number of American companies have heeded Deming's words. They have been assigning less weight to price in choosing suppliers, and they have trimmed the number of suppliers.

The idea that businesses should play one supplier against another has been fading, in favor of relying on a single source for any given item, for reasons that Deming articulated: "No manufacturer that I know of possesses enough knowledge and manpower to work effectively with more than one vendor for any item."

The most widely publicized partnerships of this kind have involved small suppliers to large companies—in the automobile industry, for example—but in fact, partnerships of the Deming kind can flourish just as well in other combinations. Partnerships can exist when a small company is a larger company's customer, or when small companies are vendors to other small companies.

What matters most is not size, but an awareness of mutual dependence—and of the need for satisfaction on both sides. And partnerships can grow even in the rocky soil of what used to be an antagonistic relationship.

*Smart small businesses know that it pays to be a good customer.*



PHOTO: GILBERT STONE

**There's a lot of trust** required between Allwest and its suppliers, says CEO Peter Perry, seated, shown with project manager James W. Schwartz.

When Peter Perry and Steve Pickett bought Denver-based Allwest Fire & Sound in 1990, for instance, they faced a staggering array of inherited problems, foremost among them ice-cold relations with the company's suppliers. Allwest, which assembles alarm and communication systems, was so far behind in paying its bills—150 days—that it had to pay cash in advance or on delivery.

Perry and Pickett immediately set to work repairing the damage. They got in touch with each supplier and explained how they planned to revive the company and improve its payment record. The suppliers agreed to extend credit again, on condition that Allwest showed a steady improvement in its outstanding balances.

The new owners also pursued partnership in another way, by trying to show

their suppliers they had no need for multiple distributors in the Denver area.

Allwest is an engineered-systems company; it assembles standard components—fire alarms, intercoms, closed-circuit television—into proprietary systems, tailored for buildings of different sizes and functions (hospitals and prisons, for example). To persuade its suppliers to take it seriously, Allwest began aggressively seeking and winning new contracts not just in Colorado but in other states.

Allwest's efforts paid off quickly—one of its major suppliers, a fire-alarm manufacturer, closed down a direct-sales office in Denver and made Allwest its exclusive distributor there. Other suppliers have since followed suit.

When Perry and Pickett bought Allwest, most of its suppliers and customers were considerably larger than Allwest itself; thanks to Allwest's growth, it is probably larger now than half of its suppliers, and it continues to grow—it installed the fire-alarm system in Denver's enormous new airport, for example.

Annual revenues have risen from \$1.2 million to more than \$13 million, and the number of employees to more than 70. Allwest's turnaround led to its being named a Blue Chip Enterprise in the annual awards program co-sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business*.

With Allwest's growth has come a subtle shift in its relations with its suppliers. When suppliers come to visit, says Perry, "they've got a preconceived notion of what their distributors look like—15 people doing \$1.5 million a year. They walk in here, and they say, 'I guess we're not going to tell you how to run a good business.'"

What hasn't changed, though, except to



grow stronger and more sophisticated, is the idea of partnership. In March, for example, Perry, who is Allwest's CEO, and Pickett, the chief financial officer, spent two days in New Jersey, taking part with other distributors in a manufacturer's "strategy council" devoted to finding better ways to do business together. Of Allwest's 12 largest suppliers, seven now bring distributors together in such strategy sessions or are planning to, Perry says.

"There's an awful lot of trust required between us and our suppliers," he says. "We put a lot of faith in them staying competitive"—that is, keeping their products ahead of the products handled by other distributors. "If one of these guys lets down, you don't sell."

Allwest also provides feedback to its customers on a humbler level. "We try very hard to see how our suppliers are dealing with us," Perry says. Allwest then tells its suppliers what it has learned—to the extent of pointing out that a misalignment of one manufacturer's printed forms meant that the invoice and the packing slip did not agree.

"We take time to write reports on what happens when we unpack a manufacturer's shipments," he says. "It's amazing how many of us don't take the time to unwrap our little presents to our customers."

The suppliers are "very enthusiastic" about such feedback, Perry says, and ask for more of it.

Basic to successful partnership is a mutual awareness that both supplier and customer are trying to please other customers, further along in what Perry calls the "food chain" of business. When that awareness is at its most acute, the line separating supplier and customer all but disappears.

"An awful lot of suppliers have bought into the idea that I constantly preach, that knowledge is power," Perry says, "and that one of the ways they can make us, and themselves, successful is to educate our people to an intense level of comfort with their product."

Accordingly, Allwest has built a training facility, complete with audiovisual aids, that can accommodate 24 "students." Eight of Allwest's 12 biggest suppliers are "very consistent" about providing training in Denver, Perry says, and the other four "are on the way."

Allwest provides training not only for its own employees but for people further down the "food chain": that is, employees of Allwest's customers. If, then, a competitor tries to steal a customer away from Allwest, Perry says, "I've got a salesman there," in the form of the customer's employee who has gone through the manufacturer's training.

Perry is prodding laggard manufacturers to move faster in providing such training. "We're all competing against time," he says. "Every one of our competitors is trying to be on the leading edge of technology, so there's a very short window within which you are technically competitive, and that window keeps shifting."



PHOTO: GUY W. ZICH

His company has reaped gains "greater than we expected" from its partnerships with its trucking vendors, says Airmax's president, Kenneth J. Ryan.

Partnerships need not be as complex and many-layered as Allwest's to be successful, though. In simpler circumstances, a business can build a partnership with its suppliers by demonstrating that it recognizes and appreciates strong performance. That is the lesson from the experiences of Airmax, an eight-year-old company based in Des Plaines, Ill., that provides surface transportation for shipments from international airlines. Like Allwest, it was designated a Blue Chip Enterprise.

Airmax, a \$17 million company in 1993, depends for its existence on trucks but owns none. Instead, it deals with trucking companies that are "all over the board" in size, says Kenneth J. Ryan, Airmax's president, although "typically, they're a little smaller than we are," with fewer than 100 employees. Because his industry is highly competitive, he says, he needs cooperation from vendors so that Airmax can "squeeze that extra bit of service, that extra bit of value out of every penny that's spent."

About two years ago, to stimulate that

cooperation, Ryan sent all of his trucking vendors a handbook outlining how Airmax wanted its shipments to be handled. In return for a vendor's agreement to follow the handbook's procedures, Ryan pledged in writing that Airmax would be loyal to that vendor. "We will not break agreements with satisfactory vendors in favor of minimal underbids," he said; neither would Airmax operate trucks of its own in competition with its vendors.

Airmax followed up in June 1992 by creating two awards for vendors and their employees. Vendors that provided exceptional service could get the Road Warrior Award, and employees could get the Mad Max Award—whether or not their employees met the Road Warrior standard.

A Road Warrior trophy is awarded quarterly. The Mad Max award includes a gift, a T-shirt, a letter to the employee's boss, and other "bits and pieces," Ryan says. There is no limit on the number of Mad Max awards, and Ryan says that Airmax gives out "quite a few" every month.

Russ Meyer, Airmax's marketing communications manager, says that "more often than not," awards of both kinds are given for consistent service, rather than service in emergencies (although there are awards of the latter kind, too).

Since the partnership program began, Airmax has had to drop a few vendors that couldn't meet its service standards—that failed, in Ryan's words, "to understand how business has changed. But in our earlier days, we dropped a lot more." And in some cases, he says, "the results of our efforts have been much greater than we expected."

He cites the employee of a Midwestern trucking company who got a Mad Max award and later noticed one of Ryan's competitors in a bar "frequented by the airport people. She overheard the conversation, which included an attack that they were planning on my company—he was going to go after some of our customers." The Mad Max winner called Airmax to spread the alarm.

Thanks to Airmax's partnership approach, "she felt very much part of the Airmax system," Ryan says, "even though she didn't work directly for us."

To order a reprint of this story, see Page 90. For a fax copy, see Page 62.





# Health-Reform Watch

*The possible toll in job losses; the rising ranks of the uninsured; updates from the states.*

By Roger Thompson and Dawn Kopecki

## MANDATES

### Low-Wage Jobs Could Be Lost

President Clinton's health-reform plan would cost the economy at least 643,500 jobs, mostly in low-wage occupations, according to a new study released by the Employment Policies Institute, a research organization in Washington, D.C.

Hardest hit would be restaurants, bars, and retailers; they would account for more than half of the estimated job losses. (See the chart at right.) The study warns that if the president's plan has significantly underestimated the cost of health insurance, as many analysts contend, job losses would climb even higher.

The job drain would result from the president's controversial requirement that all employers pay up to 80 percent of the cost of a comprehensive health-insurance package for full-time workers and their dependents.

The potential for job losses from an employer mandate is one of the most hotly contested issues in the current health-reform debate. Estimates vary widely, based on differing assumptions about two key variables: the actual cost of health plans and how employers would deal with the added cost.

The administration plan estimates the annual cost would be \$1,932 for an individ-

ual health plan and \$4,360 for a family plan. Most analysts say these estimates are 15 to 20 percent too low.

Under a federal mandate to buy health insurance, most economists say, employers would attempt to pass the added cost to their employees, through lower wages, or to consumers, through higher prices. The more successful an employer would be in passing costs to someone else, the less impact a mandate would have on jobs.

Employers with low-wage workers in highly competitive businesses, however, could do little of either. They couldn't cut pay below the minimum wage, and they couldn't raise prices without losing business. Their only recourse would be to cut jobs to pay for health insurance.

Using the administration's insurance-cost projections and assuming employers would absorb most of the added cost of insurance for previously uninsured low-wage workers, the Employment Policies

## Impact Of Clinton's Health Plan

INDUSTRY/SECTOR	ANNUAL FEDERAL SUBSIDIES FOR HEALTH INSURANCE* (IN BILLIONS)	PROJECTED JOB LOSSES BY INDUSTRY
Restaurants and Bars	\$2.73	169,700
Retailing	2.93	182,600
Construction	0.64	24,000
Agriculture	1.04	18,300
Business Services	0.72	16,800
Personal Services	1.22	34,400
Education Services	0.27	40,500
Transportation, Communications, and Public Utilities	0.40	11,400
Medical (excluding hospitals)	0.96	17,400
Wholesale Trade	0.33	7,600
Repair Services	0.43	9,300
Insurance and Real Estate	0.28	5,800
Household Workers	0.76	10,900
Other Professionals	0.00	4,600
Hospitals	0.06	6,200
Rest of Economy	3.17	84,000
<b>TOTALS</b>	<b>\$15.84</b>	<b>643,500</b>

\* Clinton's plan provides a sliding scale of subsidies for small employers with average wages below \$24,000 a year.

SOURCE: EMPLOYMENT POLICIES INSTITUTE

CHART: MICHAEL ROOK

Institute projects a loss of 643,500 mostly low-paying jobs. This would occur despite federal subsidies to small, low-wage businesses estimated by the study at \$16 billion had the president's plan been in place in 1993.

## CALIFORNIA

### Slow Start For Co-ops

One of the hottest ideas in health-care reform is the purchasing cooperative for small businesses. But early reports from California, the first state to establish co-ops, show that the business response has been lukewarm.

Since July 1993, the state's six regional co-ops have insured 2,500 small businesses, covering some 44,000 workers and dependents; roughly 10,000 of those individuals had no health insurance before the co-ops.

The sign-up numbers pale in comparison with the magnitude of the problem. California has 6.1 million uninsured—many of them employees of the 360,000 small companies eligible to purchase health insurance through the co-ops.

Under the program, all California companies with four to 50 employees are eligible to buy health plans from a list approved by the co-ops, but no employer is required to do so. Employers must pay at least half of the cost.

Employees—not the employer—pick a health plan from a menu that includes four options: two health-maintenance organizations (HMOs) and two preferred-provider organizations (PPOs). From 10 to 15 insurers offer all four options in each of the six regional co-ops.

Insurance rates are based on community averages—not an individual's or group's health condition—and no one may be denied coverage for health reasons. Thus, insurers must compete on the basis of price and quality.

A major attraction of the co-ops is that

the health plans they offer typically cost from 5 to 25 percent less than comparable plans available outside the co-ops. Even so, the program holds little prospect of significantly reducing the number of the state's uninsured anytime soon.

"The only way you will insure the uninsured is to have a mandate," says Gordon Wright, spokesman for the Health Insurance Plan of California, which oversees the voluntary co-ops.

Republican Gov. Pete Wilson remains upbeat about the co-ops' future. He announced in late March that they will cut insurance rates an average of 6.27 percent this year. "By offering low costs and good benefits to our small-business employees, we make a contribution to both the bottom line and their quality of life," said Wilson.



## NEW DATA

## Ranks Of The Uninsured Increase

New government data show that the number of uninsured Americans increased to 38.5 million in 1992, up 2.2 million from 1991.

A primary reason for the increase was an erosion of coverage for individuals working for small companies, according to a report by the nonpartisan Employee Benefit Research Institute, in Washington, D.C., which tabulated the data.

Forty-two percent of the individuals who

health insurance, according to the report, were rising costs and the lingering recession, which forced thousands of small businesses to close.

The percentage of Americans without health insurance has been on the rise for five years, growing from 15.9 percent of the nonelderly population in 1988 to 17.4 percent in 1992.

The report shows that the smallest firms have the highest percentage of

## NEW YORK

## Reforms Help Some And Hurt Others

Health-care reform inevitably produces winners and losers, even among the small businesses it is intended to benefit the most. New York's yearlong experience with sweeping reforms clearly demonstrates the point.

In April 1993, New York became the first state to require insurers and health-maintenance organizations (HMOs) to accept all applicants regardless of health condition and to charge prices based on community averages. The reforms affected only insurers selling to individuals and businesses with fewer than 50 employees.

The goal was to make health insurance more accessible and more affordable. Similar reforms are included in most of the major health-reform packages under consideration by Congress. The results:

■ Small companies with older or sicker employees came out winners. Before reform, insurers could refuse to sell them insurance or could send rates skyrocketing when a participant developed a serious ailment. Open enrollment and community rating put an end to those widespread practices.

■ Small companies with younger, healthier workers came out losers. Before reform, they could shop the insurance market and buy cheaper policies that reflected their below-average health risks. Community rating means that they must now pay the same rates as everyone else who buys the same policy.

■ The self-employed and other individuals who purchase their own insurance felt the same impact from reform as did small businesses. Older, sicker individuals now have guaranteed access to insurance and pay less for it. Younger, healthier individuals now pay more, and they may be priced out of the market.

Robert Benedict, an actuary with New York's Insurance Department, says the reforms caused insurance rates to decline or remain roughly the same for 60 percent of those affected, while 40 percent experienced rate increases of 20 percent or more.

Mutual of Omaha, a major provider of insurance to individuals, says the reforms forced the company to boost rates for 60 percent of its New York customers. In the first eight months after the reforms took effect, 30 percent canceled their policies, most because of the price hikes.

Guardian Life Insurance Co., a major player in the small-group market, reports that it lost more than 5,000 of its 17,261 small-business customers in New York. The reforms caused the company to boost rates by more than 20 percent for roughly one-third of its customers in the state. ■

## Where Employees Get Health Insurance

COMPANY SIZE	FROM OWN EMPLOYER	SPOUSE'S EMPLOYER	OTHER PRIVATE*	PUBLIC SOURCE**	NO HEALTH INSURANCE
Self-employed	22.7%	25.8%	26.0%	4.2%	22.9%
Fewer than 10 employees	22.1	23.4	15.5	7.9	33.0
10-24 employees	36.7	20.2	10.0	6.9	27.6
25-99 employees	51.7	16.0	7.5	6.4	20.7
100-499 employees	62.8	14.1	5.4	5.6	14.4
500-999 employees	66.5	14.4	5.6	4.7	11.0
1,000 or more employees	69.3	12.4	5.1	6.3	10.0

\*Purchased by individuals \*\*Including Medicare and Medicaid

SOURCE: EMPLOYEE BENEFIT RESEARCH INSTITUTE

lost health insurance from 1991 to 1992—the latest available figures—were in families headed by someone who worked for a business with fewer than 25 employees. An additional 15 percent were in families headed by someone who worked for a firm with 25 to 100 employees.

The principal reasons that workers lost

employees without health insurance. Moreover, among those companies with fewer than 10 employees, more workers get health insurance from a spouse than from their own employers. The self-employed are more likely to get health insurance from a spouse than buy it for themselves. (See the chart above.) ■

## FLORIDA

## High Hopes For Purchasing Pools

Small-business groups in Florida are already praising the state's new health-insurance purchasing cooperatives, even though the first policies won't go into effect until May 1.

The co-ops give small companies "availability of plans that they can afford," says James Brainerd, chief lobbyist for the Florida Chamber of Commerce.

The co-ops form the centerpiece of a health-care-reform law enacted by the Florida legislature last year. The law creates 11 regional purchasing co-ops called community health purchasing alliances, or CHPAs. They offer health plans to businesses with 50 or fewer workers and the self-employed.

While business participation is voluntary, the CHPAs are expected to offer powerful incentives for small employers to sign up. Each of the 11 co-ops is offering an average of 100 health plans. And prices on average will range about 25

percent below those of comparable plans outside the CHPAs, according to state officials.

Insurers must base their rates on community averages, but they may vary prices according to age, gender, county of residence, tobacco use, and family size. No one can be denied health insurance, but people with health problems may be required to wait up to two years for coverage of pre-existing conditions.

Insurers are required to offer at least two health plans—a basic and a standard package. The chief difference is that basic plans require more out-of-pocket costs. Most are traditional fee-for-service health plans.

Employers pick from the menu of plans offered by the local CHPA. Those with fewer than 30 workers must offer at least two plans. Firms with 30 to 50 workers are required to offer three plans.

The CHPAs "offer a wide variety of services, costs, and types of plans," says Ed Towey, spokesman for the state's Agency for Health Care Administration, which oversees the CHPAs. "That's exactly what we wanted to see." ■



# How To Hire A Sales Rep

By Jeanne W. Harvey

A serious misunderstanding between a company and a sales representative can be unpleasant and expensive. A sales representative, after all, is often the key link between a company and its customers. Many a business owner has learned the hard way that it is better to spell out the terms of a sales representative's employment at the beginning rather than when the arrangement ends or, even worse, sours.

To avoid potential pitfalls in hiring a sales rep, here are 10 things you should do when negotiating employment terms with a prospect:

**1. Get it in writing.** You should always enter into a written agreement at the outset of any relationship with a sales representative. Too often an informal oral arrangement is relied upon, and the relationship sours when expectations are not met. The exercise of negotiating the terms of a written agreement is invaluable in preventing misunderstandings down the road.

In addition, some states require certain types of agreements with sales representatives to be in writing. Penalties can be imposed on businesses that do not have written agreements that contain certain mandatory provisions.

**2. Define the product.** Attach an exhibit to your agreement listing the specific products that the representative is to promote and sell. Defining products may seem obvious if you have only one or two. If you have or if you develop additional products, however, you need to decide which sales representative will represent which products.

You may want to use a different sales representative if your business expands or changes.

**3. Define the territory.** Another key term that needs to be defined is the territory within which the representative can solicit orders. Such territories can be as expansive as the globe or as narrow as specified counties or cities. Again, the key is to be as specific as possible to prevent future disagreements.

*Jeanne W. Harvey is a San Francisco Bay area attorney specializing in small-business law at the firm of Lewis, Knorp, Walsh & Kavalakis.*

*These 10 suggestions can help you spell out the terms of employment and avoid misunderstandings.*



ILLUSTRATION: HARREN LOER

**4. Decide about exclusivity.** You must decide if your sales representative should have the exclusive opportunity to market your product in a territory.

Generally, a supplier of a product would prefer to have a number of nonexclusive sales representatives to increase the chance of sales. Some established sales representatives, however, would only accept exclusives. They argue that they have developed contacts in the marketplace that would benefit the supplier and that they should not be undercut by other sales representatives working in the same territory.

You will have to negotiate exclusivity with each sales representative.

**5. Calculate commissions.** The most common source of contention between businesses and their sales representatives is commissions. It is important that you describe as specifically as possible the methods for calculating and paying com-

missions. There is no one correct way to calculate commissions. For example, you can base the commission on a percentage of the "net selling price." This is often defined as the net price received by your company after certain deductions. These include shipping costs, trade and cash discounts, adjustments resulting from delivery of defective or unacceptable merchandise, refunds, returns, allowances, manufacturer-borne installation costs, and any state, federal, and local taxes that have been added.

You must also specify when the commissions are payable, such as 30 days after the date your company receives payment for the ordered products.

**6. Limit the accounts.** Before hiring a sales representative, you or your firm may have worked hard to get a certain account. You may want to continue soliciting orders directly from this account and not have the sales representative solicit



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## MARKETING

such sales. You may also need to decide which sales representative will be credited with orders if the order is solicited in one territory, at a trade show for example, but the purchaser's company is headquartered in another sales representative's territory.

#### 7. Set prices and acceptance terms.

The agreement should either include a schedule of the prices of the products set by your business or refer to certain price specifications that your business will regularly provide to the sales representative. The agreement should also state that all orders solicited by the representative are subject to acceptance by your business, and that all decisions regarding credit, billings, and shipments will be made by your business.

#### 8. Verify independent contractor status.

The agreement should state that the representative is an independent contractor, operating at his or her own expense, risk, and responsibility, if that is the case, and that the representative is not your employee or partner.

If the individual is an independent contractor, you do not want to be responsible for providing employee benefits; nor do you want to be liable for making



certain employee withholdings from any payments to the sales representative for state and federal taxes, disability, and Social Security, for example.

#### 9. Set the term and termination provisions.

You will need to decide the

duration of the agreement. To give you the most flexibility, you should have the right to terminate the agreement for any reason at any time upon notice to the representative.

You want your relationship with the marketing representative to be mutually successful, but if for some reason either of you needs to terminate the agreement, it should say how pending commissions will be paid.

#### 10. Develop a standard agreement.

The first agreement with a sales representative that you negotiate will be the hardest. On the other hand, every agreement poses challenges because every relationship with a sales representative is unique in some way.

You can save time and money, however, by developing a standard agreement that you can discuss initially with a candidate and then complete with your attorney. Be sure to have an attorney assist you in drafting the final agreement. State laws pertaining to such arrangements vary.

If you follow the steps outlined above, you should be able to avoid many potential unpleasant surprises in your business relationships with sales representatives.

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# Women In Business

*Turning to the financial markets to fuel expansion; a forum for women entrepreneurs.*

## ENTREPRENEURSHIP

### Going Public For Growth

By Rosalind Resnick

Twelve years ago, Rebecca Matthias, now 40, quit her job to stay home with her new baby and run a mail-order maternity-clothes business out of her house. Today, after going public, Matthias' company, Mothers Work, Inc., is a nationwide maternity-wear chain. The company, headquartered in Philadelphia, boasts annual sales of \$30 million, more than 500 employees, and 140 stores.

In March 1993, Matthias and her husband, Dan, decided to sell shares in their privately held business to raise money to help the company expand. Mothers Work's initial public offering brought in \$16 million, most of which went toward paying off debt and opening new stores.

By taking her company public, Matthias was able to double the size of her chain in less than a year and nail down prime locations in shopping malls throughout the United States. "Early on, we had envisioned ourselves as a private company," she says, "but, without going public, we never would have been able to grow this big this fast."

Stories like Matthias' showcase the



PHOTO: GAIL O'BARRIO-BLACK STAR

**Selling shares** in her maternity-wear company, Mothers Work, fueled its rapid expansion, says Rebecca Matthias.

opportunities awaiting women who tap the public markets in search of capital to fuel their growing businesses.

Though few women have yet taken their companies public, the number is likely to grow as entrepreneurs like Matthias and others lead the way.

In Wall Street parlance, "going public" means selling little pieces of your company, usually as common shares, to any-

one who is willing to pay for them. An investment banking company called an underwriter typically brokers the deal. Once you offer your shares in the marketplace, they are then bought and sold by investors at a price dictated by your company's financial performance as well as by economic forces, interest rates, and stock market psychology.

Just like men, of course, women who take their companies public also face risks: the chance that the company's stock will sink; the high cost of a public offering; and increased public scrutiny.

"Once you take your company public, you become part of the public domain," writes Jeannette Scollard, author of *The Self-Employed Woman: How to Start Your Own Business and Gain Control of Your Life* (Pocket Books). "[Financial journalists and securities analysts] have every right to dog your corporate footsteps and criticize your every move.

The raves you get when business is booming turn into howls of outrage overnight if you make a false move."

Ann Spector Lief, 42, president and chief executive of Spec's Music, a Miami-based retail chain that went public in 1985, says she used to wince every time she saw her salary printed in the local newspaper. "When you're a private company, you only have to deal with yourself

### The Pros And Cons

Women entrepreneurs who head public companies cite benefits as well as drawbacks to going public:

#### Advantages

- Your company instantly gets cash that can be used for expansion, paying off debt, opening new locations, developing new products, or diversifying.
- You can make a lot of money if your company's shares shoot up in value.

- If your stock does well, you can reward key employees with stock and stock options and use your stock to attract top-flight talent—employees you might not otherwise be able to afford to hire.

- You become a "star" in business and financial circles and may be interviewed and photographed for articles in national magazines.

#### Disadvantages

- It can cost millions of dollars in fees for underwriters, lawyers, accountants, and other advisers.

- You come under increased scrutiny by shareholders, financial analysts, bankers, federal securities regulators, the news media, and the public.

- If you own shares in the company, you stand to lose a lot of money if your stock drops in value.

- Employees who are also shareholders may start to grumble if your stock is a lackluster performer.

- You may wake up one day to find an unflattering story about your company in the newspaper and be unable to do a thing about it.



## ENTREPRENEURSHIP

and your management team," Lieff says. "When you're public, you have to deal with the world."

Of course, women business owners who are "lucky" enough to encounter problems like these are the chosen few. Underwriters typically accept only one of every 100 companies that approach them, according to Bob Coleman in his book *The New Small Business Survival Guide* (W.W. Norton). Matthias, for example, had to convince Wall Street that a company selling maternity clothes was large enough and sufficiently well managed to succeed on the public markets.

Nevertheless, women can persuade un-

derwriters to take them on and investors to buy into their dreams in a big way. Last October, for example, Cheryl McArthur, 44, president of McArthur/Glen Realty Corp., in McLean, Va., together with her partner, Alan Glen, took their real-estate-development company public, raising \$202.5 million. McArthur credits her successful offering in part to her ability to build a well-oiled management team to support her in developing, owning, and operating 17 outlet shopping centers throughout the United States.

A stable management team, small-business experts say, is one of the key elements that underwriters look for.

Other key factors include the company's financial strength, a clean bill of health from a Big Six accounting firm, and prior backing from venture capitalists, some of whom have affiliations with underwriters.

The bottom line, say those who have gone public, is that a company must have good financial performance and a proven track record, regardless of whether it's run by a man or a woman.

"I truly believe that, when it comes to Wall Street, it's the numbers that speak the loudest," Matthias says.

*Rosalind Resnick is a free-lance writer in Hollywood, Fla.*

## BUSINESS DEVELOPMENT

## Make Your Voice Heard

By Sharon Nelton

For a while last year, it appeared the National Women's Business Council might shut down. It had been created by Congress under the Women's Business Ownership Act of 1988 and given a five-year life. It was reauthorized by Congress last fall and given \$500,000 to carry on until Nov. 30 of this year.

The council was established to review the status of women business owners and make annual policy recommendations to the president and Congress.

Will the council's life be extended again? No one knows. But if this is to be its final year, Mary Ann Campbell, an Arkansas business owner who was appointed its chairman by President Clinton last year, wants to make it count. With limited time and resources, she says, the council will focus on what "would make the most profound difference for women business owners."

The National Women's Business Council has decided to work on two goals: removing barriers to access to capital and increasing the public and private procurement dollars that go to women business owners. As of 1992, only 1.6 percent of all federal procurement expenditures went to women-owned firms.

In recent efforts to further its goals, the council's executive director, Amy J. Millman, urged the House Subcommittee on Procurement, Taxation, and Tourism to support legislation to improve women's share of federal contracts.

The council is also pushing for pilot programs to increase significantly contracts awarded to women by three federal entities: the Department of Health and Human Services, the Environmental Protection Agency, and the General Services Administration. And the council will call on 50 major corporations to urge them to



PHOTO: DWENLEY/HEF

**In her own business, NWBC Chairman Mary Ann Campbell uses magic to teach personal finance.**

increase their procurement goals for women entrepreneurs.

To address the problems women face in obtaining funding, the council plans to conduct symposiums in Chicago and Washington on the issues of access to capital. Campbell, whose company,

Money Magic, in Little Rock, provides educational seminars on personal finance, has been on the council since its inception. She says that although the National Women's Business Council is not a membership organization, it does want women entrepreneurs involved in its endeavors. She suggests that you:

- Get your name on the council's mailing list to receive information about its activities.

- Attend the council's meetings. They are open to the public. The next one is set for May 2 in Washington, D.C., during Small Business Week.

- Call the number below for symposium dates, and volunteer to participate if you can.

- Write the council to share your experiences; and let it know what you think it should be recommending.

"Our job is to communicate with the president and Congress," Campbell says. "As the national voice for women business owners, we really want to hear from them about what they want us to be saying."

You can reach the National Women's Business Council at 409 Third Street, S.W., Suite 5850, Washington, D.C. 20024; (202) 205-3850.

## EVENTS

## Mark Your Calendar

Following are events of interest for current women business owners and would-be entrepreneurs:

- "Camp Entrepreneur," a week-long entrepreneurship training program for teenage girls, will be repeated four times this summer at Seton Hill College, in Greensburg, Pa. Call the National Educa-

tion Center for Women in Business at 1-800-632-9248.

- "Camp Enterprise for Teen Women" will be held June 20-27 in Palm Springs, Calif. Call An Income of Her Own at 1-800-350-2978.

- The eighth annual Entrepreneurial Woman's Conference and Women's Business and Buyers' Mart will be held Sept. 23 in Chicago. Call the Women's Business Development Center at (312) 853-3477.



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## REGULATION

# A Smoke-Free Workplace?

By Laura M. Litvan

**B**usiness is sharply divided over proposed federal regulations that could lead many small businesses to snuff out smoking in their offices and factories.

Under rules proposed by the Labor Department in late March, employers would be required to have a smoking policy, with the option of either banning smoking or allowing it only in ventilated lounges. They would also need to have written indoor air quality compliance programs, detailing how their ventilation systems work and are maintained. Further, they would have to ensure that their systems are properly exchanging stale indoor air for fresh outdoor air.

The National Restaurant Association, based in Washington, D.C., says federal efforts to regulate workplace smoking would limit restaurants' ability to respond to the desires of their patrons. Says spokeswoman Wendy Webster: "We believe in market forces and that employers are better-suited than government [regulators] to develop policies in individual restaurants."

But other groups worry that nonsmoking employees who might later be diagnosed with an illness could decide to sue a company or a building owner who had not responded to workplace smoking concerns.

Employees "will certainly have a leg to stand on if they are 50 years old, they have lung cancer, and they've never smoked a day in their life, but their next-door neighbor at the office smoked every day," says Jim Dinegar, vice president for government affairs at the Building Owners and Managers Association, in Washington, D.C. The organization favors federal regulation of workplace smoking.

About 6 million workplaces would be affected by the regulations, says Joseph Dear, administrator of the Occupational Safety and Health Administration. OSHA would be responsible for enforcing the rules. Smaller companies would not be exempt. The self-employed, however, do not fall under OSHA jurisdiction.

Under the proposal, companies would face a maximum \$70,000 fine for a "willful"

violation of indoor air quality regulations. Though regulators would conduct air-quality checks while performing other inspections, Dear said he expects nonsmokers would report many violations.

The proposed regulations were published in the *Federal Register* for public comment until the end of June. The proposed rules are part of an unprecedented push by federal lawmakers and

*Proposed rules would give firms the option of banning workplace smoking or allowing it only in ventilated lounges.*

The tobacco industry, meanwhile, says the EPA manipulated the data in its 1992 report because regulators wanted to suggest a link between secondhand smoke and lung cancer. Officials with the Tobacco Institute, in Washington, D.C., also say the report has no place in a debate over workplace smoking policies because it relied on studies of nonsmoking spouses of smokers. "You cannot take data from a domestic setting and say this applies to [a fast-food restaurant]," says Thomas Lauria, a Tobacco Institute spokesman.

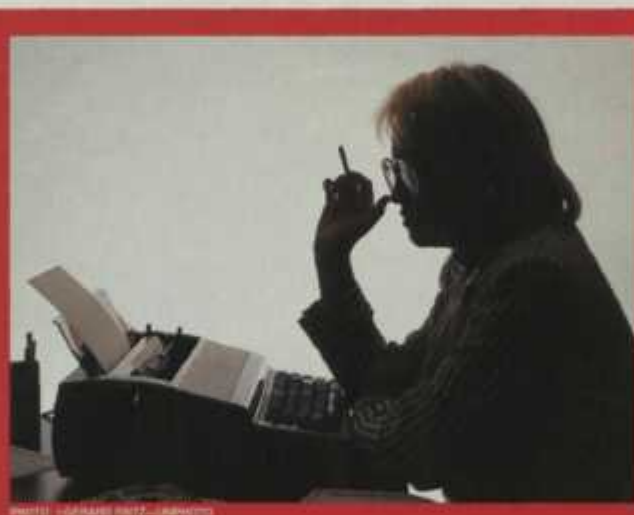
In response to the Labor Department's March proposal, employers are trying to figure out the potential cost of compliance. Air-quality experts say the costs of a separately ventilated smoking lounge could be prohibitive for many small firms, leading many simply to ban smoking as the least expensive route to compliance. A smoking lounge separately ventilated to the outside can cost about \$30,000, says Dinegar of the Building Owners and Managers Association.

"I'm sure most employers would say to heck with putting in a whole new exhaust system," says John Tiffany, president of Tiffany-Bader Environmental Inc., in Bedminster, N.J., an air-quality consulting firm. "I think most employers might ban smoking."

As the debate continues over federal smoking rules, employers in many cities and states see the brouhaha as nothing new. In Aspen, Colo., for example, restaurants had to cope years ago with a citywide ban on smoking in those establishments. In San Francisco, San Jose, and several other cities, smoking has been banned in nearly all nonresidential indoor spaces.

More recently, regulators in Washington state and Maryland announced smoking bans that would force smokers into designated rooms or outdoors when they want to light up.

The future of smoking-related legislation on Capitol Hill is unclear. But the Labor Department's regulations will almost surely take effect in some form or other; the timetable, however, remains uncertain.



**Businesses** are trying to figure out how much proposed workplace smoking rules would cost them.

regulators to limit worker exposure to secondhand smoke. Many public-health officials, including U.S. Surgeon General Joycelyn Elders, have endorsed a smoking-regulation bill sponsored by Rep. Henry A. Waxman, D-Calif. The legislation would compel owners of nonresidential public buildings frequented by 10 or more people either to ban smoking or to restrict it to separately ventilated rooms.

In the Senate, hearings have yet to be scheduled on similar legislation introduced by Sen. Frank R. Lautenberg, D-N.J.

At the heart of all of this activity is a 1992 Environmental Protection Agency report that said environmental tobacco smoke can cause lung cancer and is the underlying cause of about 3,000 deaths among nonsmokers each year.

Terrie Dort, executive director of the National Council of Chain Restaurants, in Washington, D.C., says potential liability was a major consideration when the council recently endorsed Waxman's bill.



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## MARKETING

# A Way To Stretch Ad Dollars

By Denise Osburn and Dawn Kopecki

Every year, about half of David Lang's advertising costs for his family-owned lawn-equipment store are picked up by the manufacturers whose products he sells.

Lang is one of the countless retailers nationwide who cash in on the billions of dollars available each year from manufacturers' co-op advertising programs.

"Without [manufacturers' help], we could only spend \$20,000 a year. But now we can spend \$40,000, because we're getting \$20,000 back," says Lang, president of Milbradt Lawn Equipment, in St. Louis.

Companies that offer co-op advertising plans for their products cover the retail spectrum—from cars to computers to cosmetics. Yet of the estimated \$15 billion of co-op money they will make available to retailers in 1994, more than two-thirds will go unclaimed, says the Newspaper Association of America, in Reston, Va. Many retailers fail to use available funds because they are unaware of them or believe that qualifying for them would be too difficult.

The size of an advertising rebate depends on the amount a retailer buys. A manufacturer typically rebates 3 to 10 percent of a retailer's orders for a particular product. The rebate can be used to advertise only that specific product.

For example, if a store purchases \$100,000 in widgets from the Acme Widget Co., Acme could allocate from \$3,000 to \$10,000 toward that store's advertising for Acme widgets. Acme reimburses the owner for a percentage of the cost of each ad until the allocation is depleted.

A retailer may qualify for co-op rebates from several manufacturers simultaneously. Lang buys lawn mowers from 10 manufacturers and receives co-op rebates from nine.

Reaping the benefits of co-op advertis-

Denise Osburn is a free-lance writer in Petersburg, Mich. Nation's Business intern Dawn Kopecki is a journalism major at Penn State University.



ILLUSTRATION: JIM PATTERSON

ing can require special effort, at least initially. "There are some elements of a co-op program that could confuse a retailer who's not familiar with them," says Miles David, author of *How to Make Money With Co-Op*.

Indeed, co-op advertising requirements can be complex, says David Jones, sales manager of the Newspaper Association of America's co-op advertising division, in Chicago. Big-name manufacturers such as Nike maintain strict guidelines to control their national image, he says. Without lengthy guidelines, retailers "could totally dilute the image that Nike is spending millions to build on a national level."

Manufacturers stipulate such things as advertisement size and content. Retailers may be required to obtain prior approval by the manufacturer before qualifying for reimbursement, and the manufacturer may set deadlines on retailer requests for reimbursement.

Co-op advertising does involve work, but "who's not going to spend 15 minutes

Many manufacturers offer advertising-cost rebates to retailers—yet most of the money goes unclaimed.

[on the required paperwork] to save \$20,000?" Lang says.

Luckily for Lang and other retailers, they frequently can get help with co-op requirements and paperwork from the advertising sales staffs at local newspapers, radio stations, and direct-mail distributors. In Lang's case, the local newspaper sometimes bills the lawn mower manufacturers directly. In such instances, Lang is billed for half the cost and doesn't even see the paperwork.

In addition, says David, many manufacturers' sales representatives can briefly explain the nuts and bolts of co-op advertising to retailers.

An advantage to using co-op advertising is that many manufacturers have ad packages available for retailers. A typical package includes the advertising layout and visuals, a brief history of the company, and advertising campaign goals.

Though it can be a little complex, co-op advertising benefits everybody—the retailer, the manufacturer, and the newspaper or radio station—says Beverly Banks, director of co-op services for the Radio Advertising Bureau, in New York City. The bureau is the national trade association for the radio industry.

If retailers advertise more, they sell more, Lang says. "A lot of little retailers don't do enough advertising," he says. But they could afford to do more if they would tap into their share of the unused billions available for co-op advertising.

## For More Information

Miles David's *How to Make Money With Co-op* can provide more information on co-op advertising. To order, call the author at Pinpoint Marketing Inc., (212) 714-0606. The cost is \$12.

Another authoritative reference is the *Co-Op Source Directory*, used by advertising sales professionals to keep track of rebate plans. The book comes out twice a year and costs \$350 for a single edition, or \$399 for both editions. Some libraries may carry the directory. To order, call Reed Reference Publishing at 1-800-521-8110.



## TRAINING

# Honing Workers' Basic Skills

By Joan C. Szabo

**R**uppert Landscape Co., in Ashton, Md., is determined to become an industry leader in customer service, and it sees worker training as a key to its success.

Since its inception in 1971, Ruppert has grown from a two-person lawn service into a firm that designs, builds, and manages landscape and irrigation systems; it has \$25 million in annual sales, seven branches, and 300 employees.

To help maintain high-quality service in the midst of such growth, the company expanded and formalized its worker training program. "If we are going to say we empower our employees to serve the customer better, we have to train them on how to do that," says Jay Long, the company's training director.

Ruppert's commitment to training is like that of a growing number of small and medium-sized businesses; they have concluded that their work forces must be trained well if their companies are to remain competitive and reach higher levels of productivity and service. At the same time, however, many of these companies can't afford expensive training programs and are eager to keep costs down while maximizing the effectiveness of their programs.

Training experts point out that on-the-job training can be particularly relevant and yet inexpensive.

Ruppert's basic-skills training program includes on-the-job group instruction by supervisors in subjects such as equipment operation and care, safety, vehicle operation, management and customer-service skills, and horticulture.

The longest training session takes about six hours and involves teaching new as well as veteran employees how to plant and mulch trees and shrubs.

The company also has a four-hour orientation and training session for new hires.

Long says the cost of Ruppert's training programs—equal to about 3 percent of payroll—is viewed as money well spent, because "the training is expected to produce tangible benefits for the company and its employees."

The program helps instill in employees a sense of pride in their work, Long says, and ultimately this attitude and commitment translate into improved service, increased customer satisfaction, and reduced employee turnover.

Ray Svenson, president of the management consulting firm of Svenson & Wallace, in Chicago, suggests that the landscape firm's approach to training is on target. "The most significant productivity and quality gains in this age of lean production will come not from new technologies or machines or capital investments, but from highly trained people

*Brushing up on the fundamentals helps increase productivity, quality, and employee satisfaction.*

percentages or plot a simple graph.

The firm moved quickly to address the basic-skills problem by hiring an instructor to conduct two sets of classes, one in English as a second language and the other in mathematics. The classes consisted of 36 hours of instruction each and were held in another firm's cafeteria.

The cost of the first year of training was



PHOTO: JERRY ASKE

**Horticultural** fine points are discussed with employees of the Ruppert Landscape Co., in Ashton, Md., by the firm's training director, Jay Long, left.

working smarter to make the business better," he says.

William Dudek, owner of Wm. Dudek Manufacturing Co., on Chicago's northwest side, says a literacy-centered training effort he began in 1991 for his 35 employees has resulted in several important benefits for the firm and its workers.

The company, which has annual sales of \$3 million, produces metal clips, hooks, and clasps used in household appliances and automotive components. Most of the firm's employees are production workers.

The company started its training effort by trying to introduce some basic quality-management principles on its factory floor, but it had little success, Dudek says. Machine operators seemed to be disregarding the written instructions concerning quality on each work order, he says.

When he looked into it further, Dudek discovered that the workers couldn't read the instructions, and few could calculate

about \$15,000, which covered the cost of a needs assessment, the instructor, and the wages paid for the time that employees were away from their jobs. The company received a \$9,000 grant from the Illinois Secretary of State's Literacy Office to help cover the expenses of the second and third year of training.

As a result of the basic-skills training, his firm's employees are more efficient and work better as a team, Dudek says. "It's easier to communicate quality issues to employees after the training."

**T**raining experts recommend that managers setting up such programs take these steps:

- Identify your company's specific training needs. Analyze each job to determine its tasks and the levels of performance, skills, and knowledge required of the employee in that job. Then structure your training program so that



employees actually develop the skills they need.

■ Determine what you want to accomplish with your program. Set clear objectives, says Sally Crawford, chief executive officer of Crawford & Associates, Inc., a training and consulting firm headquartered in Chicago.

■ Try establishing a partnership with a community college or university that can help address some of your training needs. Often these institutions will help you analyze your company's training requirements. "They may even have instructional-systems-design people on their staff that can help put a customized curriculum or structured on-the-job training system together for your firm," says consultant Svenson.

■ Be sure to customize the training effort so that it is applicable to your company's particular needs. "The cookie-cutter approach is useless," says training expert Forest Chisman, president of the Southport Institute for Policy Analysis, in Washington, D.C.

■ Give one employee the principal responsibility for overseeing the company's training effort.

■ Use supervisors as instructors and coaches for those employees being

## Getting Started

Among the many programs designed to help companies with their training efforts is one inaugurated by the U.S. Department of Labor.

Called the Incumbent Worker Training Project, the program will offer a broad range of low-cost products and services in the areas of work-force literacy, technical training, work restructuring, and labor/management relations. It will also provide companies with assessment tools for evaluating workers' literacy, basic skills, and occupational skills.

For more information, write to Vic Trunzo at the Labor Department's Employment and Training Administration, 200 Constitution Ave., N.W., Washington, D.C. 20210.

trained on the job, and include this responsibility in the supervisor's job description.

■ Ask suppliers to provide help with training to assure the effective use of suppliers' equipment, components, and services. For example, if your firm is buying software, select the supplier that

In addition, two of the many publications on training could be useful for small firms. One is *The Business Guide to Publicly-Funded Training and Employment Programs*. It suggests ways to use education and job-training programs to improve work-force-development efforts. Single copies are \$7.95 for members, \$9.95 for nonmembers, from the National Alliance of Business, P.O. Box 501, Annapolis Junction, Md. 20701. Order publication No. R004988.

The other publication, *The Missing Link: Workplace Education in Small Business*, covers basic-skills instruction. Single copies are \$17.95, prepaid by check, from the Southport Institute, P.O. Box 25424, Alexandria, Va. 22313.

provides the best training for your employees.

■ Evaluate your training to determine its effectiveness. For example, Long says that after the training session is conducted, company supervisors test employees on the skills taught to make sure the training was successful. 18

## LOOK FOR THESE UPCOMING STORIES

### Guide To Business Software

**T**he cover story in June will be a buyers' guide to new software for small business. You'll find capsule reviews of software for accounting, word processing, data bases, presentations, and utilities. Operating systems (DOS, Windows, and OS/2) will also be reviewed. Also in June:

- Guide to buying business insurance
- Robotics for small businesses
- Professional managers for franchises
- On-line data services
- What ESOPs can and can't do
- Environmental law enforcement

### Succeeding Through Innovation

**T**he most successful small businesses aren't those that do things a little better than the competitors do. The winners are the enterprises that come up with the creative ideas that set them apart from those competitors. That's the cover story topic for July. Also in that issue:

- What to expect from the Postal Service
- Maintaining your computer's hard-disk drive
- Improving your chances for a bank loan
- Disabilities act applies to smaller businesses
- Handling difficult employee terminations
- Legal responsibilities for telecommuters

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## MANAGING

# Quality Standards The World Agrees On

*Meeting ISO 9000's requirements may look too complicated and expensive for small firms, but it doesn't have to be.*

By Michael Barrier and Amy Zuckerman

In American business—and small business in particular—there's a quickening interest in the series of international quality standards known as ISO 9000. More and more firms have come to realize that meeting those standards not only can ease entry into export markets but also can lead to significant cost savings.

Canon Virginia, Inc. (CVI)—a Newport News-based firm that assembles copiers, laser printers, and printer cartridges—is a good place to start an assessment of what ISO 9000 can mean to a small company. Not because CVI is in any sense a small company itself—it has 1,200 employees and is an arm of the Tokyo-based international powerhouse, Canon, Inc.—but because it proceeded so smoothly to certification and meeting the ISO 9000 standards.

The ISO 9000 standards were a good fit at Canon Virginia, Inc., because that company, like so many other internationally successful Japanese firms, has a long history of effective quality management. (Canon's version is known as the Canon Production System.) For CVI to be certified as meeting the ISO 9000 standards, it had to make a few changes, says Vice President Tadao Okabe—one of 35 Japanese nationals on the CVI staff—but, he adds, "we didn't find any big gaps" between what CVI was already doing and what ISO 9000 required.

CVI's experience shows that winning ISO 9000 certification can be a relatively simple and painless process for a company that is prepared for it, and that certification can even benefit a company that already has a strong quality program. There is nothing to prevent many small companies from obtaining certification very much the way CVI did.

The ISO 9000 standards were created in 1987 by the International Organization for Standardization (ISO), in Geneva. To date, 95 countries have approved those standards for voluntary application in both the manufacturing and service sectors. In the U.S., almost 2,000 certificates have been issued, to about half as many companies, some of which have obtained certificates for more than one location.

Although ISO issues the standards, it does not regulate the program internationally; that is left to national accreditation organizations like the U.S. Registrar Accreditation Board. RAB and other such

boards authorize registrars to issue ISO 9000 certificates.

In Europe, there is some government regulation of these boards, but not in the U.S., where RAB operates with the authorization of a widely respected private organization, the American National Standards Institute, in New York. ANSI is the American representative to ISO.

ISO 9000 certification does not necessarily relate to the quality of a company's products or services but signifies that a company has fully documented its quality-control procedures, whatever they are, and is abiding by them. (Thus the ISO 9000 mantra: Say what you do, do what you say.)

It's theoretically possible that a company could, while meeting the ISO 9000 standards, turn out consistently inferior products; but it's not likely. Tim Barry, quality-control manager at American Saw in East Longmeadow, Mass., believes that ISO 9000 certification contributed to declines in product defects at the 800-employee, family-owned firm. American Saw's certification, the first in its industry, also improved communication and helped reduce workplace accidents, he says.

For the smallest firms, though—those

with only a few dozen employees—the costs associated with obtaining ISO certification can loom larger than the benefits. American Saw's cash outlay for certification was approximately \$60,000, Barry says. All of that money went to outside consultants and registrars; the figure doesn't cover Barry's salary or the time spent on certification by other employees.

Costs that are manageable for an 800-employee firm can be daunting for someone like Dick Sunderland, a small manufacturer of customized precision machinery.

Sunderland, the owner of D&S Manufacturing, in Westfield, Mass., just a few miles down the road from American Saw, is seeking ISO 9000 certification "to get a leg up on the competition." Because of the cost of certification, though, Sunderland's ISO 9000 effort has stalled before really getting off the ground.

Through contacts familiar with ISO 9000, Sunderland was able to gain some sense of where his company stood vis-à-vis the ISO standards. An ISO 9000 consultant based in Europe ranked his company close to certification level.

The task remaining for Sunderland before D&S was audited for certification was documenting what he was doing—



PHOTO: T. MICHAEL REEA

Calibration supervisor Donna Voshell, with quality assurance manager Doug Grossenbaugh, led the ISO 9000 certification effort for Canon Virginia.



## MANAGING

that is, writing a quality-control manual that would meet ISO 9000 standards.

The problem is that Sunderland says he can't do the work at his current staffing level of 25. He and a foreman can devote an average of five hours a week to the job, not enough to finish in what he considers a timely fashion. He can't afford to hire a full-time quality-control manager.

Sunderland is hardly alone, but there are ways small firms can deal with the costs associated with certification. Among them:

■ **Negotiate.** Registrars and ISO 9000 consultants are in business for profit; different registrars charge different amounts. Scott Laney, president of Griffith Rubber Mills, a 430-employee operation in Portland, Ore., advises all companies seeking ISO 9000 certification to try to negotiate a lower price with a prospective registrar; he thinks registrars' prices are trending down. Other factors besides price are important, though: The registrar should be familiar with your industry and have credentials that will be accepted by your overseas customers.

■ **Ask customers for subsidies.** Laney also suggests that companies seeking ISO 9000 certification ask their customers to subsidize the cost—especially if the customer is pushing its supplier to get the certification, and the customer obviously values the supplier. One of Griffith's main customers footed the entire bill for its ISO 9000 certification "because they needed our technology," Laney says.

■ **Seek alternatives to consultants.** Canon Virginia's Donna Voshell points to growing involvement by community colleges in Virginia and other states in preparing small businesses for ISO certification. She is working with a quality institute at a nearby community college, she says, "trying to get an ISO networking group set up. With ISO becoming so predominant now in the U.S., a lot of people are offering things now at a considerably reduced price from when it was first introduced."

■ **Decide if you really need certification.** Ultimately, what really matters for many small firms is not getting ISO 9000 certification, but meeting the standards that certification requires. Meeting the standards can be done for a lot less money than getting the certificate.

Other companies see the certification itself as important, however. Canon Virginia's president, Shin-ichiro Nagashima, decided to seek ISO 9000 certification as a way to gain "worldwide recognition for our production system that we already had in place," says Voshell, who as CVI's calibration supervisor led the certification efforts. (Voshell's job entails verifying that the measuring equipment measures accurately.)

January 1992 was when "we started our investigation of what was required,"



PHOTO: BRUCE FREEMAN-BLACK STAR

**Certification costs** worry some small-firm owners, including Dick Sunderland, left, of D&S Manufacturing, seen here with machine operator Brian Whitehall.

Voshell says. None of Canon's customers were insisting that it be ISO-certified even though such customer demands are what frequently lead companies to pursue certification. But, says Doug Grossenbaugh, CVI's quality-assurance manager, "we wanted to be ahead of the game."

Voshell herself went through five days of training to be a lead assessor in an ISO-certification audit, and CVI assembled a task force to manage the changes that certification would require. "When we started running into problems that we needed some expert help with," Voshell says, "I made contact with a consultant," choosing one who had already conducted several certification audits. (Consultants can audit as well as consult, but not for the same company.) "Those are the people who are going to understand what's going on," she says.

CVI had the consultant visit several different times, Voshell says, "to evaluate our progress and make sure we were approaching things in the correct manner." Then, near the end of the process, the consultant actually audited CVI's system, in a sort of dry run for the certification audit. The consultant was valuable to CVI "because he offered us various options"—different ways to meet the standards—"instead of just what we had thought of," Voshell says.

Preparing for certification was "basically a matter of putting documentation in place," she says. "We already had a system, and there was nothing wrong with our system—we just needed to document it."

Documenting procedures can be tricky, though, as Voshell says: "When people start writing down what they do, they think, 'Maybe I should add a little more here or a little more there.' That may have

been the biggest problem that we ran into."

Aligning documentation with actual procedures was critical to success when the registrar's team showed up to determine if an ISO certificate should be issued. "When the registrar comes in to audit your system," Voshell says, "he's going to audit you to your documentation. Whatever your documentation says you're doing, that's what he's going to be looking at."

Grossenbaugh adds: "Some of the auditors would say, for example, 'Please explain to me how you order paper for your office.' This person would walk over to get the policy, and the auditor would say, 'No, show me how you do it, first, and then let's go look at the policy.'" The auditors could then uncover discrepancies between the documented procedures and the way things were really done.

As smoothly as Canon's certification went, the process was still time-consuming—a total of 18 months before a certificate was issued, in June 1993.

Most companies of its size could expect to take even longer, though; 24 months is probably more typical. A smaller company with a strong quality program could conceivably go through the process more quickly, because one of the key elements of the ISO standards is, as Grossenbaugh says, "making sure all the people understand" the quality system; the fewer the employees, the simpler such communication can be.

But if a company already has a strong quality program, can certification really add much to it? CVI's experience suggests that the answer is yes.

Thanks to the more systematic documentation that ISO certification required, Okabe says, CVI's procedures are now



more fully accessible by computer, reducing the danger that someone might be relying on an out-of-date manual. "We avoid many conflicts," he says.

Because Canon Virginia is ISO-certified, Okabe points out, it's no longer necessary for a customer like Hewlett-Packard "to come to this plant to check all the details of our quality-control systems, again and again." The savings in money and time are "tremendous," he says.

Two of Canon Virginia's own suppliers are now going through the ISO certification process, and others are gearing up for the effort. "We have recommended to our suppliers that this would be a good thing to go through," says Bob Thomson, CVI's internal audit manager. "That way, we can rely on the products that they're supplying to us."

ISO certification can thus bring significant savings by sharply reducing the need for outside quality audits and inspections of incoming products. In addition, as Okabe points out, "systems change, products change, and we have to start all over again to educate our people." The standardized documentation that ISO certification requires "makes it easy to educate them," he says—in effect, there is less to learn, because more remains the same.

As a result of meeting the ISO stan-

dards, Voshell says, "we're developing more consistency throughout our company. Now that we have the documentation in place, we can see how everybody is performing their individual tasks, and we're trying to get everybody to perform the same way, every time, throughout the whole company."

In keeping with that goal, CVI is consolidating and thus decreasing its documentation; although ISO 9000 led to an increase in paperwork for a while, as everyone wrote down what they were doing, it is now permitting a reduction, by stimulating uniformity in procedures. It is also encouraging a reduction in waste of other kinds: Through the documentation, Voshell says, "you can actually see where there's a duplication of work." In other words, nothing is hidden.

There remains the danger that practice and documentation will slide apart. "People get busy," Voshell says. "They come up with a better way of doing it, and they start revising the policy, but they don't send it around for approval." But CVI has a check on such laxity, she says: "We audit ourselves internally, on a regular basis. If we do forget, we find it in our internal audits."

And if CVI should somehow let a forbidden practice get past its internal

audits, it will probably show up in an ISO 9000 audit: The auditors return twice a year. ISO 9000 certification must be renewed annually, and certification can be withdrawn if significant problems show up on one of the semiannual audits.

The internal audits "are eliminating a lot of duplicity," says Jay Bowen, CVI's chemical quality-assurance manager. "Now it seems as if we're all doing the same things and saying the same things."

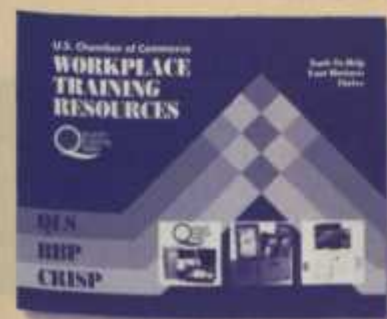
**I**n weighing those and other benefits of certification against the cost of the process, companies should look to the long term. From that perspective, the expenses may start to look insignificant.

Says Tim Barry of American Saw: "ISO keeps employees involved and aware. The cross-learning is phenomenal. And ISO has been a major marketing advantage. We've picked up a bundle of new clients in the U.S. and Europe."

*Michael Barrier is a Nation's Business senior editor specializing in quality management and related areas. Amy Zuckerman is a free-lance writer in Pelham, Mass. She specializes in foreign trade and is the author of ISO 9000 Made Easy: A Self-Help Guide to Certification, published by In/Ez Information Export.*

# WORKPLACE TRAINING RESOURCES

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# Family Business

*More bits of business wisdom; agreeing on a vision for the company; planning for retirement.*

## OBSERVATIONS

### What I've Learned — Part Two

By Sharon Nelton

Last month, I said I would tell you 10 of the most important things I've gleaned from reporting on family businesses for over a decade. I shared the first five of those bits of wisdom with you then; here are the rest:

■ Like voting, you should do estate planning early and often.

■ Likewise, begin succession planning early.

Though these are separate issues, they are closely linked to each other. Both are essential to the well-being of your family and the continuity of your business.

Estate planning is an ongoing process. Once you've done it, you may have the basics in place, but you have to keep revisiting it and adjusting your plan as the family and the business change.

Succession planning needs to be seriously under way by the time the business leader is in his or her 50s and the children are probably in their middle to late 20s. The planning and implementing process can take 10 to 15 years as you decide which of your children—if any—can succeed to leadership of the company and as they develop and train for that leadership.

■ It's smart to "market" your business to the family. I agree with James W. Lea, author of a book called *Keeping It in the Family* (Wiley), who says you always need to be selling your family on the value of continuing the family's ownership of the company. Educating your family about the business's products and the way it supports employees' families is one way to do it. Spelling out the opportunities for rapid advancement that a family member in your company will have is another.

Lea is a commentator on this month's Case Study.

■ Market your company to the world outside your door as well—not just as a business but as a *family* business. As I have said in this column, family businesses need to join together to educate their communities, their states, and their country about the importance of family business to the economy. You need to exercise your combined political and educational power to create a favorable environment for family business—one whose decision makers understand just how harmful confiscatory estate taxes are to society.



■ Sometimes the family comes first; sometimes the business comes first. Sometimes, the choice is not easy.

Some husbands and wives in business together have told me they would ditch their business if it came between them and endangered their relationship. They said it would be easier to start another business than to find another partner they loved and valued so highly.

But that's generally not a choice that owners of a long-lasting, multiple-generation family business can make. Such owners are faced with giving enough time and attention to both family and business, treating offspring fairly in the succession process, and a host of other complicated issues where family needs and business needs collide.

Sometimes, as you well know, the business must come first. It is, after all, what supports the family. But are you skipping Junior's hockey game because you have to be at a meeting—or can you reschedule the meeting?

Make sure that putting the business first isn't just a habit. Remember that it's a *family* business, and don't cut the family part of it short.

## PLANNING

### Defining Your Family Business

By Craig E. Aronoff and John L. Ward

One reason it is so hard to define "family business" is that families themselves can define their enterprises very differently. We often see conflicts within a family when its members differ not just on strategic or operational issues but on their vision of what the business is. Said one family-business leader: "I couldn't figure out why everyone was always in disagreement. We all liked and respected one another. Then I realized that none of us shared the same view of our business."

An investment banker once told us, "We don't work with family businesses; we want clients who think of themselves as capitalists, not family businesses."

We find that the extent of consensus around the definition or purpose of a family's business is a better predictor of family business harmony than company size or age or family makeup. Consider which definition best describes your view of your family business:

- Proprietorship.
- Capitalist entity.
- Partnership.
- Family caretaker.
- Family mission.
- Entrepreneurial venture fund.
- Family holding company.
- "As if publicly owned."

Most family businesses begin as propri-



PHOTO: T. MICHAEL KEEN

John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.





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## PLANNING

etorships, which combine the goal of making money with the owner's personal goals. Business perks often become personal ones. We are not making judgments here. Sorting out business interests from personal interests is almost impossible under any circumstances.

Defining a business as a proprietorship and cherishing its capacity to fulfill personal needs are often what keep the business in the family. Had the "capitalist" definition of maximizing wealth been the operational view, the business might have been sold.

Proprietorships work best in the hands of a single owner or successor. When businesses have passed "from son to son," they are usually defined as proprietorships by each generation.

At some point, heirs may define themselves as capitalists. Rather than seeing the business as a legacy or as a part of the family and its future, they view running the business as the game of maximizing wealth. Decisions are considered in light of potential growth. Owners use all the tools available—leverage, acquisitions, outside investors, employee ownership—to win the game.

Such family businesses are unlikely to continue into the next generation as private companies. Their legacy may be wealth and heritage rather than an operating company.

When ownership is passed into the hands of several offspring, and if nearly all of the family successors work in the company and are of comparable dedication and ability, the business may be seen as a kind of partnership. A small team of co-owners/managers becomes good at making consensus decisions over the lunch table, and they come to believe themselves stronger together than apart.

When one or two family members are active in business leadership and several other owning heirs are not, we often see the development of a family caretaker culture. Usually, the most responsible family member inherits both business and family leadership. Decisions are made in light of the parents' expectations that the leader would "take care of" all other family members.

Sometimes the family is committed to a particular strategy or industry or even philosophy of life. In such circumstances, the leader's thrust is to carry out the family's goals through the business. Such enterprises are viewed as family missions.

Family needs or goals can also be served in "more-businesslike" ways. For example, the family's business can be designed to promote and serve the entrepreneurial spirit of family members. Working like a venture fund, it can be a source of financing and encouragement to fuel enterprises that will be run by family members. In another approach, the business is structured to make it possible for



ILLUSTRATION: DAVID CHEN

family members to take over—and perhaps spin off—their own divisions.

Occasionally, a family business has a few family leaders who help to negotiate specific solutions to each family member's needs or goals. We label this a family holding company because of the clear intent to keep everyone formally linked through the business while permitting

great latitude with respect to each person's involvement.

For example, a family member gifted at management may be positioned in business leadership, while a family member eager for autonomy or creative adventure may be encouraged to start up a new venture.

Some families want to continue the family's identification with the business but otherwise believe that only a capitalistic attitude can keep the business vibrant and long-lasting.

Such businesses are more open to outside management while maintaining family ownership and strictly voluntary involvement of family members in the business. Such companies are typically managed "as if publicly owned."

As families explore their futures as business owners, we encourage them to consider these different definitions—and the assumptions and beliefs behind them. We have seen each of these approaches—and various combinations and permutations—work well over long periods of time.

The key to success is that members of your family business have a clear and shared definition of the business. Unspoken, misunderstood, or different visions in the same family lead to conflicts. Consensus on definition is a great source of power.

## MARK YOUR CALENDAR

### May 4, Hartford, Conn.

"Introduction to ESOPs" is a workshop on the use of employee stock ownership plans as a means of providing for business continuity. For additional dates and locations, contact Corey Rosen of the National Center for Employee Ownership at (510) 272-9461.

### May 19, Greensboro, N.C.

"Developing Leadership in the Successor Generation" is a seminar featuring Alicia T. Foster of the Center for Creative Leadership's Family Business Leadership Program. Contact John Powell of the North Carolina Family Business Forum at (910) 226-1880.

### May 19-21, Scottsdale, Ariz.

"Relationships Matter" is a retreat designed for couples in business. Contact The Family-Business Roundtable at (602) 285-1207.

### May 20, Tarrytown, N.Y.

"Loving Sibs and Struggling Sibs" is a seminar that focuses on productive and positive relationships among siblings. Contact the Metropolitan Family Business Education Foundation at (201) 461-7356.

### May 25, Telford, Pa.

"Father, Son, and Son-in-Law: Lessons in Succession Planning" is the theme of the Delaware Valley Family Business Spring Forum. Contact Henry Landes at 1-800-296-3832.

### May 26-27, Longboat Key, Fla.

"Tax-Free Wealth Transfer and Asset Protection" is a conference for family businesses worth more than \$2 million. Contact the National Center for Family Business at 1-800-598-6404.

### How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.



## CASE STUDY

# Mom Wants Dad To Retire

Pat Williams, who is 58, has never considered retiring. But last night, his wife, Georgia, who recently recovered from a major illness, asked him to "take a few weeks off" and join her as she was preparing to leave on her own for a visit to their daughter's home in Florida.

In fact, Pat was startled when Georgia went even further and said, "Maybe it's time for you to retire, enjoy life, and let someone else run the company."

Pat admits that he has been thinking about the business more than usual lately. "The growth and success that we've experienced over the last 13 years are being threatened by changes in our industry and this continuing tough economy," he says.



ILLUSTRATION: DAVID CHEN

Pat founded the Williams Co., a computer-services firm, after 20 years in executive positions at a major computer corporation. His company has grown sig-

nificantly during the past five years. Annual sales exceed \$18 million, and the company employs 55 people.

The management team that Pat has developed over the years includes his sons Gary, 31, vice president of marketing, and Michael, 34, vice president of customer support. Sally and Chet are nonfamily executives who have worked at the Williams Co. since it was founded, and each owns 12 percent of the stock.

Sally, 49, is vice president of finance, and Chet, 52, is vice president of operations. Pat has delegated day-to-day operating responsibilities to Chet but still makes all the major financial and management decisions.

Pat, who still enjoys managing his company, is troubled by Georgia's suggestion that he retire.

"Frankly," he says, "I'm torn between my responsibility to the business and my responsibility to her."

What should Pat do?

## Ease Out Slowly

Pat is facing one tough challenge: his wife's pressure to retire from the business that has been so important to him.

Still young at 58, he has assets that many men would envy: good health and his sons working alongside him. The business climate may be worrisome, but not bad enough for him to want to throw in the towel. He, however, can't ignore Georgia's conviction that it's time for the two of them to stop and smell the roses. The situation has the makings of a classic family-business conflict.



James W. Lea is the author of *Keeping It in the Family* (Wiley) and a professor of family medicine at the University of North Carolina at Chapel Hill.

But, if everyone is willing, it could also become a positive transition for the Williams family and their business. First, Pat needs to admit that he is already easing out of running the company, having assembled a solid management team and delegated responsibility for daily operations. His sons are company executives at ages where both could make commitments to succeeding to ownership of the business, and one of them could emerge as the next CEO. And with their equity interest in the Williams Co., the experienced nonfamily vice presidents will no doubt be around for several years to backstop the succession process.

Instead of either digging in his heels or packing for Florida, Pat should plan to reduce his role in the company gradually, staying close enough to help his sons hone their skills but far enough away to encourage them to take fresh approaches to the changing conditions that threaten the company.

Finally, he should structure a transfer of ownership to ensure his and his wife's financial security in retirement and the continued participation of the sons in the company, which obviously means so much to him.

## Begin The Transition

Pat just received a wake-up call from Georgia indicating that they need to do some serious family and business planning. Evidently Pat, like many entrepreneurs, thinks the question is not "when" I retire, but "if" I retire.

Pat must acknowledge the overlaps between his family and business lives and recognize that retirement is a part of the continuum of his life goals and activities. He built a successful business, but to capture the rewards of his efforts, he must focus



PHOTO: ESTHER WOLF

Marty Carter is a licensed social worker and principal of Family Business Systems, a St. Paul, Minn., consulting firm.

his energy on transferring the business to others. Pat should begin by communicating with Georgia to identify what is fulfilling, stimulating, and rewarding for them as a couple. Asking, "What do we want?" leads to, "What do we have to do to get there?"

A family-business consultant might be brought in to help them integrate their personal plans with a business strategy that includes a succession plan. The business is in an excellent position because there are strong nonfamily executives, with ownership, to lead the firm until the sons have the necessary experience and skills. A benefit of beginning the transition process now is that Gary and Michael can plan their futures with their father's guidance and active involvement.

Having a plan for ownership transition and succession will address Georgia's concerns and reduce Pat's reluctance to let go of the business. The couple's work together in designing the next phase of their life may also motivate Pat to develop new interests.

A plan for transition and succession will also decrease the uncertainty if something should happen to Pat or if he needs to devote more attention to his wife should her health fail.

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute. Identities are changed to protect family privacy. This month's editor is Randel S. Carlock, a professor at the University of St. Thomas Graduate School of Business, in Minneapolis. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Brookline, Mass.



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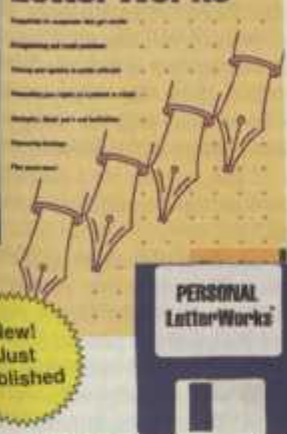
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## MANAGING

# Networking For Fun And Profit

By Julie Bowden Davis

**B**uilding business through referrals can be both personally and professionally rewarding, as Peg Lefebvre, owner of a Southern California advertising agency, has found out. "There is no stronger introduction than a friend or business associate who has actually dealt with you and can vouch for what your company has to offer," says Lefebvre, whose 14-year-old Anaheim company employs three people.

Judy Gremmel, president of Leadership Development Associates, in Irvine, Calif., has relied solely on referrals to build her 14-year-old firm. It provides training, materials, and support for a national group of distributors who offer training in referral prospecting. "Referral prospecting is routinely done by successful people, but it's not a formally taught form of sales training," she says.

To succeed through personal referrals, according to Gremmel, you must plan. First, decide what kind of clients you want to target. Make a list of all the attributes your ideal client would have. Answer important questions such as:

- Is the client an individual or a company?
- If it's a company, how big is it?
- What does the ideal client want and need that you can provide?
- What sort of mind-set or philosophy does the client have?
- Who would be your primary contact in such a company?
- What characteristics do you clearly not want in a client?

Once you've established a profile for your ideal client, list every person you know who might help you get your foot in the door. In addition to friends and family, list business associates, current clients, and members of business and community organizations. Consider joining a networking group to share referrals.

Jack Beaumont, a certified public accountant who eight years ago started a networking group with six other professionals in conjunction with their local chamber of commerce, says he has won \$225,000 in new business through referrals obtained in the group

over the past two years. Beaumont is a partner in Dennis Nelson & Co., Ltd., a 25-employee firm in Rolling Meadows, Ill.

So-called centers of influence have potential as long-term sources of business. "A center of influence is a person who has a great deal of influence and recognition in the business world and community," says Judy Carlson, sales business development manager for Leadership Paradigms Group, a five-employee training and development company in Overland Park, Kan. "When you enter a potential client's office with such a person's recommendation, there's an enormous chance you'll make a sale."

Edwards Holliday, president of Success Achievement Inc., a four-employee training and development firm in Camp Hill, Pa., says a center of influence:

- Has influence and contact with your target market.
- Respects you, likes you, and enjoys

*How companies build personally rewarding relationships and expand business at the same time.*

Most people initially don't feel comfortable calling a possible referral source and asking for a meeting, according to Beaumont, the CPA. "Many people fear that the other person will say no. The fact is, if the referral source is satisfied with the work you've done for him or her, chances are he or she will be happy to help, and the exchange will reinforce your relationship. If the person isn't satisfied, this gives you the opportunity to address any problems."

When Judy Carlson of Leadership Paradigms meets with a possible center of influence, she says, she likes to get right to the point. "I just tell the person that he or she is a highly respected individual and that I'd like his or her help with referrals," she says. "Then I explain how I'll present myself to anyone he or she refers me to and promise to keep him or her updated."

James Johnson of Business Bridges, in Minneapolis, says, "At first I felt very awkward asking for referrals, but now I'm developing a lot of rewarding relationships and really enjoying myself."

"When I was cold-calling," he remembers, "I used to dread picking up the phone. Now I can't wait."

When you're networking, always try to give more than you expect to receive. "If all you're thinking is, what can I get out of this, you'll bomb miserably and become discouraged," says Johnson.

Perhaps you can provide a referral in exchange or offer your professional services free of charge. If these aren't options, consider other alternatives, such as a special gift.

It's also important to remember that cultivating relationships takes time—the better part of a year.

"Be patient," Jack Beaumont says. "Relationship prospecting is like a spider web that keeps growing. As the web grows, the referral base becomes stronger and more productive."

*Thanks!*

being with you.

- Is willing to promote your concept and give you time and information.
- Is willing to take action in referring qualified leads to you.
- Wants to develop an ongoing, mutually beneficial relationship.

Julie Bowden Davis is a free-lance writer in Orange, Calif.



To order a reprint of this story, see Page 90. For a fax copy, see Page 62.



## MANAGING

# New Approaches To Job Stress

By Armin A. Brott

**T**he annual turnover rate on publisher Kathy Masera's 25-member staff had reached about 50 percent by 1992. Each month, at least one stressed-out employee quit *The California Job Journal*, a weekly employment newspaper in Sacramento.

In addition, Masera says, remaining employees had "incredibly high levels of absenteeism."

In the past year, however, *The Journal* hasn't lost any employees, and absenteeism has all but disappeared. The intense challenge of putting out a publication on tight deadlines remains, but Masera has found a way to help her employees deal with stress.

Job-related pressures and the resulting stress have been around for as long as the workplace itself. But it was only recently that managers began to acknowledge negative effects of such stress: decreased productivity, increased absenteeism, and rising insurance claims—because of illnesses and workplace accidents.

In the 1980s, hoping to relieve job stress for their workers, some employers instituted fitness programs, or they encouraged their employees to get counseling or advice for their problems.

Although well-intended, these early approaches dealt with stress only after its symptoms had appeared. Experts are now recommending that managers focus on the causes of stress rather than on employees' reactions to stress.

"Traditional stress-management programs placed the responsibility of reducing stress on the individual rather than on the organization—where it belongs," says Esther M. Orioli, president of Essi Systems Inc., a stress-management consulting firm in San Francisco. "No matter how healthy individual employees are when they start out, if they work in dysfunctional systems, they'll burn out."

In the late 1980s, employers began to try new approaches. "When they elimi-

nated some of the layers of communication, when workers had frequent, personal contact with the head person, and when they felt they really made a difference, workplace stress was reduced immediately," says Dr. Stewart Wolf, a stress researcher.

Many companies across the country have molded the concepts that Wolf describes into an integrated strategy for preventing stress; they have created cohesive teams that allow members to share common goals and accountability and help buffer one another against stress.

## Try The Team Approach

Clearly, increasing employees' personal power and improving communications are key elements in any stress-reduction program. At *The California Job Journal*, teams meet regularly and set their own agendas. They identify business and personal concerns and make recommendations for improving the operation. Every team member has a stake in the team's success—and the company's—and every member's input is valued.

Because Masera, *The Journal's* publisher, encourages team members to in-

*A dysfunctional firm can burn out employees. Here's how you can make your company a better place to work.*



PHOTO ILLUSTRATION: DIGITAL ART—WESTLIGHT

terview prospective new members, employees even have input on whom they work with. This ensures that teams are made up of people who feel comfortable working with one another and who like one another, ultimately increasing a team's efficiency.

But creating teams is not the only way small companies can effectively reduce workplace stress. And in many organizations, using teams simply may not be feasible.

If that's the case in your company, don't worry. If you're serious about reducing stress, there are other techniques that will help you do the job.

## Encourage Employee Involvement

"The keys to keeping stress levels low are communication and participation," says Mark Stricklett, director of operations for Solartech, a manufacturer of kitchen cabinets, in Commerce, Ga. Although not organized according to teams, Solartech's employees and management meet regularly, and everyone is encouraged to make suggestions to improve efficiency.

As an example, Stricklett cites the company's new facility, currently being designed. "Instead of having manage-

Armin A. Brott is a free-lance writer in Berkeley, Calif.



## MANAGING

ment lay down the law, our production people—the ones the building's design will affect most—have been advising the architects on the features they feel are most important," he says.

Stephanie Harkness, CEO of Pacific Plastics & Engineering, an injection molding company in Soquel, Calif., has another approach to keeping people involved. Harkness teaches all of her employees how to read the company's financial statements. "When people know exactly what's going on in the business, they end up feeling much more involved in the company," she says.

Whatever your approach, encouraging employee involvement shouldn't end at quitting time. Solartech, for example, has frequent picnics and other opportunities for employees to enjoy recreation together and to celebrate their successes. And employees of *The California Job Journal* have potluck lunches every few months.

#### Reduce Head-To-Head Competition

While incentive programs that reward employees' personal accomplishments often lead to increased sales for employers, they can also result in increased stress levels for employees.

First, by pitting people against one another for that one trip to a Mexican resort, incentive programs make employees less likely to cooperate with one another.

Second, incentive programs and other sales competitions tend to increase the workload—and, not surprising, the stress levels—of the people who produce the products, write up the orders, pack and ship the boxes, and make sure the products are paid for.

Though the competitions increase work for these employees, such programs don't increase the recognition of their contributions to the bottom line or reward them for their efforts.

At Pacific Plastics & Engineering, part of every employee's pay is tied to the profitability of the company. Bonuses are given companywide. This approach gets people from sales and production to talk to each other about whether the sales department's delivery targets can actually be fulfilled.

#### Be A Facilitator

Many small-business owners spend the bulk of their time developing their products or services and getting them to market. Unfortunately, though, they sometimes forget how important their employees are, and they set goals and enforce deadlines without involving anyone else in the decision making. This approach may work for a while, but it is destined to fail in the long run.

In addition to marketing skills, today's successful entrepreneurs must be good

people managers and facilitators—managers who don't just issue orders but who also motivate people to work together toward a common goal. This isn't always an easy task.

Small-business owners must learn to listen to their employees. In a traditional management structure—where managers set goals and enforce deadlines—employees frequently feel (or are made to feel) uncomfortable discussing their workplace problems.

One commonly used way for a manager to demonstrate commitment to the work force is to maintain an "open-door" policy and encourage employees to take advantage of it.



But because employees and managers in small companies work together closely, open-door policies can't be limited to workplace concerns only. Stephanie Harkness, Kathy Masera, Mark Stricklett, and others keep their office doors open for employees who need to discuss their personal problems as well. "Things like divorce, illness, and death in the family are all major causes of stress," says Masera, "and it's just unrealistic to expect employees to leave their problems at the front door."

In any workplace, chances are that sooner or later a conflict between employees will arise. Managers often think that interpersonal conflicts are based on personalities—that some people just don't "get along." In reality, though, most such problems are caused by people not understanding each other's roles.

In these situations, managers' skills as facilitators are really put to the test. "I have to be careful to listen to both people and take what they have to say seriously," Harkness says. "I don't tell people what to do. I try to give them a new way of thinking about the problem."

#### Vive La Différence

Despite good managers' desires to treat all employees alike, whether they are men or women, young or old, many stress

experts have found that not all employees react to stress in the same way. Not understanding these differences can make an otherwise successful stress-management program fail.

As consultants like Esther Orioli have found, intense pressure at work tends to affect women more severely than men. As a result, female employees take more stress-related sick days than men experiencing the same type of pressure.

On the other hand, intense pressure at home generally results in men taking more time off from work than women who experience the same pressure.

Men are also usually less sensitive than women to the early signs of stress, which, if left unheeded, can worsen and contribute to serious illnesses such as heart attacks.

In addition, be aware that—as strange as it may sound—younger employees frequently experience more stress than older ones. Younger people are generally exposed to more stress-causing personal changes and pressures outside the workplace than older people, whose personal lives are usually more stable.

#### Discourage Workaholicism

While many employers actively discourage drug and alcohol abuse, they usually turn a blind eye toward the workaholics in their midst.

In fact, workaholics are frequently rewarded for their commitment to the company.

"The up side is that workaholics get the job done and don't ever call in sick," says Orioli. "But the down side is that they often drop dead."

Even if they don't die suddenly, most workaholics eventually end up burning out, resulting in a decline in work quality, increased sick time, and stress-related claims for workers' compensation.

#### Pay Attention To New Employees

According to Orioli, over 40 percent of workers' comp stress claims are filed in the first six to 12 months of employment. "Good supervision during this initial period is essential," she says. "Make sure your new employees get enough feedback and support, and make sure they have access to all the information they'll need about their work. In short, start things off right by making sure they have a sense of personal power from the very beginning."

#### Demonstrate Leadership

A commitment to making a company a more pleasant—and more productive—place to work has to come from the top. In almost all companies, particularly small ones, it is the boss who sets the tone. And if he or she is not really serious about trying to reduce workplace stress, there is little likelihood that anyone else in the company will take the lead.



# Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

## PUBLISHING

### News By Letter

My wife and I are interested in starting a for-profit newsletter. Where do we start?  
*D.W.C., Clinton, Miss.*

The Newsletter Publishers Association suggests that before you start publishing a newsletter, you should determine, among other things, how much it will cost to start the business, who your potential subscribers are, how to reach subscribers through marketing, and what banking relationships you'll need.

The association offers at no charge a *Newsletter Launch Checklist*, which covers basic considerations for aspiring newsletter publishers.

Other helpful resources from the association include:

■ *Success in Newsletter Publishing*, which covers newsletter design, editorial style, subscription promotion, legal questions, and effective renewals. The book costs \$39.50 plus \$3.50 for shipping and handling.

■ *How to Launch a Newsletter*, which includes material on how to tell if your newsletter idea will sell and helpful tips on getting your concept off the ground. It costs \$11.50 plus \$2 for shipping and handling.

■ *Raising Capital for the Newsletter Venture*, an audiocassette on financing. It costs \$13.

To order any of these products, or for more information, contact the Newsletter Publishers Association at 1401 Wilson Blvd., Suite 207, Arlington, Va. 22209; (703) 527-2333; fax number (703) 841-0629.

Marketing consultant Gary Halbert, who publishes a newsletter on marketing and advertising tips and techniques, has compiled a 10-point list of rules for



ILLUSTRATION: MARTHA WUJAN

success in newsletters. He suggests that you become an expert on the subject before attempting to publish a newsletter and if you go forward with the venture, that you make your publication look like a personal business letter.

For more information, contact *The Gary Halbert Letter*, 3706 N. Roosevelt Blvd., Suite A, Second Floor, Key West, Fla. 33040; (305) 294-8425.

## HOSPITALITY

### Launching A B&B

I am interested in buying an existing bed-and-breakfast, and I want information about the industry in general.  
*J.R.L., Irwindale, Calif.*

The American Bed & Breakfast Association acts as a clearinghouse on bed-and-breakfast accommodations. The organization sets standards for the operation, inspection, and rating of B&Bs. It also offers a free list of resources that it has reviewed and recommended. Included are more than a dozen how-to books on the subject along with newsletters that are available by subscription. Each listing is accompanied by a description of content and the price.

To receive a copy of the resource list, contact the American Bed & Breakfast Association at 10800 Midlothian Turnpike, Winchester Building, Suite 254, Richmond, Va. 23235; 1-800-769-2468.

The National Bed and Breakfast Association publishes *The Official Bed and Breakfast Guide*, which contains information on how to start a B&B, along with a listing of B&Bs throughout the country. The book is available in most bookstores

## COMPUTERS

### Software Savvy

I want to start a business that markets software to retail outlets. Is there an organization that can help?

*A.H., De Land, Fla.*  
(Similar questions from E.P.M., Canyon Lake, Texas, and B.B., Stroudsburg, Pa.)

There are two organizations that may be helpful.

The Software Management Association, based in Vallejo, Calif., is concerned with existing software systems. The organization offers publications to its members, who include programmers, analysts, managers, consultants, educators, and vendors. To obtain additional information, write or call the association at P.O. Box 12004, #297, Vallejo, Calif. 94590; (707) 643-4423.

The Software Publishers Association offers a free list of publications on the subject. To request a copy, contact the organization at 1730 M Street, N.W., Suite 700, Washington, D.C. 20036-4510; (202) 452-1600.

for \$16.95. If you order it through the association, add \$2 for postage and handling. The group also offers a wide range of seminars and one-on-one advice to would-be innkeepers. Call or write the National Bed and Breakfast Association



at P.O. Box 332, Norwalk, Conn. 06852; (203) 847-6196.

The Professional Association of Innkeepers International may also be helpful. You can contact this organization at P.O. Box 90710, Santa Barbara, Calif. 93190; (805) 569-1853.

## ASSOCIATIONS

### Alarming Facts

I sell security alarms to small and medium-sized businesses. I need more information on the alarm industry. Is there a group that could help me?  
*S.F.H., Cedar Rapids, Iowa*

Try the National Alarm Association of America, at P.O. Box 3409, Dayton, Ohio 45401; 1-800-283-6285. The association represents small alarm dealers in the United States.



## REAL ESTATE

## An Appraising Eye

I would like some information on becoming a certified real-estate appraiser.  
J.T., Virginia Beach, Va.

The American Association of Certified Appraisers offers a free start-up kit on becoming a certified real-estate appraiser. The group also conducts training and accreditation seminars for appraisers throughout the country each year.

For a start-up kit and seminar schedule, contact the association at 800 Comp-ton Road, #10, Cincinnati, Ohio 45231; (513) 729-1400.

A person who has been a real-estate appraiser for 12 months can apply for membership in the National Association of Real Estate Appraisers. The group offers continuing education and informational updates. Contact the association at 8383 E. Evans Road, Scottsdale, Ariz. 85260-3614; (602) 948-8000.

## HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Writers will be identified only by initials and city. Questions may be edited for space.

## FUNDING

## Money For Minorities

Where can a business owned by a woman member of a minority group obtain funding in my state?

L.H., Montgomery, Ala.

Carol White, deputy director of the U.S. Small Business Administration's Office of Women's Business Ownership, suggests that you contact Susan Dunham, the SBA



representative in Birmingham, Ala.; (205) 731-1338. She can brief you on the programs available within your state, including the banks that are affiliated with SBA lending programs.

Another potential source is Jack Crittenden of the Office of Minority Business Enterprise, 401 Adams Ave., Alabama Center for Commerce, Montgomery, Ala. 36130; (205) 242-0400. The group helps major corporations find minority companies that can work as subcontractors or in joint ventures.

You can also contact Tamara Y. Lee of the Southern Development Council, 401 Adams Ave., Suite 680, Montgomery, Ala. 36130; (205) 264-5441. The council is a certified development company, which means it is a business certified by the SBA to package, process, close, and service the SBA's Section 504 loans.

The 504 loan program provides long-term, fixed-asset financing to eligible small businesses for equipment purchases and for construction, expansion, and renovation of buildings. (For more details on the program, see "Cashing In On 504 Loans," in the December 1993 *Nation's Business*.)

SBA's Office of Women's Business Ownership also offers a free three-page report, *Tips to Better Banking*, which tells how to improve your chances of getting a loan.

Tips cover choosing a bank, talking with a loan officer, and overcoming obstacles. To order a copy, call (202) 205-6673.

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What You Need To Know About Starting, Running, and Growing Your Business

Revised  
and  
Expanded  
Edition

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# To Your Health

*Managing well includes managing your own health; here is advice to help you do that better.*

By Phyllis M. Barrier

## Diet's Impact On Cholesterol

When an expert panel spent 18 months going through all the recent scientific data on cholesterol, it came up with this good news for people with cholesterol problems: If you've been following the guidelines an earlier expert panel laid down more than six years ago, you've been doing the right things. But there may be some things you can do even better.

The Adult Treatment Panel, or ATP II, was formed by the National Heart, Lung and Blood Institute to update guidelines the original ATP issued in 1987. The second panel wanted to avoid radical breaks with the old guidelines (known as the National Cholesterol Education Program) whenever possible, and it recommended, as the original guidelines did, that dietary therapy remain the preferred treatment for high blood cholesterol. The updated guidelines continue to say that drug therapy should be reserved for people considered to be at high risk of coronary heart disease.

LDL (low-density lipoprotein) cholesterol—"bad cholesterol"—is still the primary target of cholesterol-lowering therapy, and other recommendations, too, remain the same; for instance, the panel continues to say that cholesterol levels should be checked at least once every five years in adults over age 20 who have normal cholesterol levels.

The measures for "desirable blood cholesterol," "borderline-high blood cholesterol," and "high blood cholesterol" are unchanged. A cholesterol level below 200 milligrams per deciliter (mg/dl)—a deciliter is about one-tenth of a quart—is "desirable," between 200 and 239 mg/dl is "borderline-high," and 240 mg/dl and above is "high."

The panel did make new recommendations. It decided that people with coronary heart disease or other atherosclerotic diseases (hardening of the arteries) are at such high risk that they should



PHOTO: EMILYAN CARR-UNISTOTO

**Cooking with low-fat foods will help lower your cholesterol levels.**

strive for a level of "bad cholesterol" of under 100 mg/dl—about 25 percent lower than what was once acceptable.

It also decided that age as well as sex should be taken into account when physicians are determining whether someone is at risk of coronary heart disease. It used to be that being male was a risk factor, but age was not. Now age enters into the equation when a man is 45 or older, or a woman is 55 or older (or she has gone through premature menopause without estrogen-replacement therapy).

Other risk factors remain the same:

- A family history of "premature" heart disease (a heart attack before the age of 55 in a close male relative, or before the age of 65 in a close female relative).

- Smoking.
- High blood pressure.
- Diabetes.

It's when you have two or more of the risk factors and an LDL cholesterol level in the "borderline-high" or "high" range that the warning bells should sound. In such cases, the panel said, a full clinical evaluation—a medical history, full physical exam, and laboratory tests—is called for, followed by dietary therapy.

One reason for relying on diet—and exercise—rather than drugs, if you have "borderline-high" cholesterol but don't yet have coronary heart disease, is that there's no definitive answer yet on whether drugs actually reduce deaths in such cases. Additional research is needed.

On the other hand, it's well-documented that changes in diet and exercise habits may lead to lower LDL cholesterol levels. They may also bring health benefits of many other kinds: lower blood pressure, a decreased risk of diabetes, and higher levels of the "good" cholesterol. Not to mention exercise's role in increasing self-esteem and reducing stress.

Dietary therapy is still central to an attack on high cholesterol levels, though. Under the panel's recommendations, and depending on the severity of the problem, a patient might be put on a "Step I Diet," which calls for 8 to 10 percent of total calories from saturated fat, 30 percent or less of total calories from fats of all kinds, and cholesterol intake of less than 300 milligrams a day, or the "Step II Diet," which calls for a further reduction of saturated fat to less than 7 percent of total calories, and cholesterol intake of less than 200 milligrams a day.

The recommendations translate into cutting back on the major sources of saturated fat and cholesterol (high-fat dairy products, fatty meats, organ meats, egg yolks), and substituting fish, lean meat, poultry without the skin, and low-fat (1 percent or skim) dairy products. These "fat calories" should be replaced with carbohydrates from whole-grain products, fruits, and vegetables.

Total fat can be reduced by using less fat in cooking and at the table, substituting low-fat or nonfat mayonnaise and salad dressings, and fat-free and low-fat chips, crackers, cookies, and other snack foods for their high-fat equivalents.

The ATP II report recommends that physicians refer their patients to a dietitian if they cannot achieve their cholesterol goals with the Step I diet. If the patients still don't reach their goals after a minimum of six months of intensive dietary therapy and counseling, drug treatment may be in order. As the report makes clear, though, drug therapy must be added to dietary therapy, not substituted for it. There are no shortcuts in dealing with high cholesterol levels. ■

Phyllis M. Barrier is a registered dietitian and nutrition consultant in the Washington, D.C., area.



# It's Your Money

*A monthly survey of strategies and suggestions to help you with your personal finances.*

By Peter Weaver

## TELEPHONES

### Protecting Yourself From Cellular Scams

You have a cellular phone in your car, or a hand-held portable, or maybe both. Normally, you chat back and forth on business, personal, or family matters. Your monthly bill never runs to more than a few hundred dollars.

Then it happens. You get a bill that's up in the thousands of dollars for calls to places as far away as South America, Africa, the Middle East. After calling the cellular-phone company, you learn you are the victim of a phone-clone scam.

Here's how it works: When your cellular phone is on, it transmits over radio waves your electronic serial number. This identifies who you are and, more important, who is billed.

Phone bandits, in parked cars or in front rooms of buildings, have electronic devices that intercept your confidential electronic serial number and record it. Later, they take your number and hundreds of others to a computerized cloning "laboratory" in an apartment or someone's house. Your electronic serial number is programmed into phones, which then emit your identifying signal. Voila! The phone bandits are using your number, and you get the bill.

"It's big business—a million dollars a day or more," says Tom Wheeler, president of the Cellular Telecommunications Industry Association, a trade organization in Washington, D.C. Cloned phones are the lifeblood of drug traffickers and other organized-crime players.

Cellular companies, state and local law-enforcement agencies, and even the Secret Service are using high-tech devices to catch electronic serial number bandits. "The industry is also working on a new generation of digital phone signals that will block illegal entry," Wheeler says.

In the meantime, what can you do about it? "Awareness is a big issue, whether it



PHOTO: RICHARD FRAZER—FOLIO, INC.

*Your cellular phone's electronic serial number is as good as gold to scam artists. Check your monthly bills carefully for calls you didn't make.*

be your cellular phone or any other system you have where personal ID numbers or access devices are used," says Bob Raso, a Secret Service special agent. "You have to safeguard these numbers, because in today's criminal environment, they're as good as gold to the bad guys."

Lee Kaywork, vice president for fraud and security with McCaw Cellular, Inc., in northern New Jersey, says, "We urge customers to look at their bills carefully

each month, and, if the charges or numbers of calls have jumped up, they should call their carriers immediately."

The company should eliminate the fraudulent charges from your bill and give local and federal law enforcement agencies the specifics of your complaint.

Finally, an obvious but important warning: Don't lend your phone to people you don't know, and don't leave it around where it might be stolen.

## TRAVEL

### Keeping Companies Informed About Your Preferences

When you join a rental-car club, you fill out a form that becomes your "customer profile." The same thing happens with some travel agencies when you have an active account.

Rental-car companies generally want to know what size car you prefer, whether you want insurance coverage, whether you have a company discount, and what credit card you'll be using. Travel agencies want to know what kind of seating you prefer on the plane (window, aisle, forward or rear), and any dietary requirements. They also want to know your frequent-flier numbers and any discounts you may be eligible to receive.

With all this information, traveler profiles can speed up the reservation process and make sure you get what you want with airlines, hotels, and rental cars.

The profiles, of course, have to be kept up to date. You may change frequent-flier programs. Your credit card may have been lost or stolen, and you have a new card number. You may have a new spouse who wants a window seat instead of the aisle. Or you may no longer need rental-car insurance.

Some rental-car companies and travel agencies send out profile-update forms every year. If your travel needs change in the interim, however, you can call or write with the updates. Otherwise, you might not get the seat you want or the rental-car insurance you need.



*Peter Weaver is a Washington-based columnist on personal finance.*



## MORTGAGES

## Keeping Tabs On Your Escrow Account

When you buy a home or refinance an existing mortgage, nine times out of 10 the lender will require setting up an escrow account to make sure your property tax and homeowner's insurance bills are paid.

You pay an additional amount every month with your mortgage payment to cover these annual expenses. If your property tax comes to \$1,200 a year and your homeowner's insurance is billed at \$600, the amount needed in the escrow account would be \$1,800, or \$150 a month.

Lenders usually require an extra amount, as padding, to cover the possibility of a rise in the property tax and insurance rates. Just how much extra money the lenders can load onto the escrow account is a bone of contention between consumer groups and the mortgage-loan industry.

"In general," says Paul Havemann, president of HSH, a mortgage-data service in northern New Jersey, "the government allows two months' extra to cover unexpected cost increases."

A new accounting method is in the works to give the mortgage industry a little extra cushion in escrow accounts. "Homeowners shouldn't be worried about this," Havemann says, "because escrow accounts can serve as a free bill-paying service."

When you pay a little bit extra every month, it can make it a lot easier to pay your bills at the end of the year. "The whole idea," says Michael Hoogendyk, president of the National Association of Mortgage Brokers, in Washington, D.C., "is to force savings, to make sure people get their taxes and insurance paid."

When it's working properly, the escrow account serves a useful purpose, but, in some instances, lenders may pile up far too much of a cushion. That means

borrowers are, in effect, forced to lend money back to the lenders at no interest.

"Get a copy of your property-tax bill and your annual insurance premium," Havemann says. "Then request an accounting for the escrow account from the lender."

Most companies send an accounting along with your tax papers. If you have paid too much money into the escrow account, ask for a refund or reduced monthly mortgage payments until the books are square.

"Some borrowers really don't need an escrow account," Hoogendyk says, "because they have enough equity in their homes and have the financial capacity to set up their own accounts."

In general, if you have 20 percent or more equity in your home, you can negotiate setting up your own account. Money in the account can be invested while it accumulates to pay your taxes and insurance at the end of the year.

## THE LAW

## Prenuptial Agreements And Business Perks

Some business and professional people find it necessary to sign prenuptial agreements before they marry. A couple, for example, might have two or three sets of children to take care of: hers, his, and theirs. If a spouse dies or if there is a divorce, who gets what?

"When you draw up one of these agreements," says Cecile C. Weich, a matrimonial law specialist with offices in New York and Washington, D.C., "you have to put all assets on the table."

Both parties must disclose everything they own, and each partner must be represented by an attorney. "The trouble is," Weich says, "business people don't think of their company or professional perks as assets that have to be disclosed."

She cites such things as the company car, plane, boat, paid-for vacation lodge or condo, moving expenses, all forms of insurance (including car insurance), memberships in country clubs, special medical



PHOTO: EDWARD STOCK/LEWIS-UNPHOTO

**A country club membership paid for by your company should be included when disclosing your assets.**

checkups. "Anything the Internal Revenue Service considers income," Weich warns, "has to go on the table when you draft a prenuptial agreement."

If you overlook something, it could come back to haunt you. "You don't want

an unglued spouse prowling through the company books and files in search of possible hidden assets or income," Weich says. If something turns up that wasn't disclosed in the initial prenuptial offer, she says, "there could be grounds for setting aside the agreement or grounds for negotiating more of a share."

It should be noted that not all states recognize prenuptial agreements, and some that do recognize them don't require complete and full disclosure. Check with your attorney.

Although prenuptial agreements are becoming more commonplace, a lot of couples may shy away from them because they seem so unromantic. But Weich says: "The time to agree and disagree on money matters is when there's a smile on your face and love in your heart."

When a marriage is torn asunder, that's not the time to negotiate."

If a marriage is eventually dissolved and there's a prenuptial agreement in place, Weich says, "it can cut down the legal fees."

## INVESTING

## Withdrawal Plans For Mutual Funds

"They don't advertise it, but most mutual funds will set up a systematic withdrawal program that can provide monthly payouts from dividends and invested principal," says Sheldon Jacobs, publisher of *The No-Load Investor Handbook*.

Unlike an annuity, a mutual-fund withdrawal plan can be completely flexible. You can set up the exact amount you want to be paid each month, and it can be

modified up or down or terminated. "I recommend that the amounts withdrawn do not exceed 6 percent of your invested capital," Jacobs says. That way, he explains, "if the fund is well managed, the dividends and capital appreciation will more than cover the payments."

In some cases, however, you may want to deplete the fund systematically to provide a bigger monthly payout. This could work for an elderly person who needs more current income to meet regular expenses.

"Suppose you have \$100,000, which is growing at 9 percent a year," Jacobs says, "and you start withdrawing at a 12 percent annual rate. You'd get \$1,000 a month, and the principal would last 16 years."

Withdrawal plans can be used to pay college costs over a four-year period. According to Jacobs, the plans can also be set up to take care of dependents, make alimony payments, or even make mortgage or rent payments while you are away for extended periods.



# Where I Stand



PHOTO: BOHRE COLLINS—THE STOCK MARKET

## ON PRODUCT LIABILITY

Results of this poll on product liability will be forwarded to congressional and administration leaders.

Send the attached, postage-paid response card. Or circle your answers below and fax this page to (202) 463-5636.

# 1

Do current product-liability laws encourage too many lawsuits against makers and sellers of products?

1. Yes
2. No
3. No opinion

# 4

Reforms proposed in pending legislation include restraints on punitive damages, which are often imposed on top of compensatory damages awarded to a plaintiff. Should the law include a limit on punitive damages?

1. Yes
2. No
3. No opinion

# 2

Separate and sometimes conflicting laws control how each of the 50 states determines liability. Is a uniform federal liability law needed?

1. Yes
2. No
3. No opinion

# 5

Another recommended reform would make a defendant company liable only in proportion to its share of responsibility for an alleged harm. Should this provision be enacted?

1. Yes
2. No
3. No opinion

# 3

How do you view the argument that by encouraging lawsuits, liability laws deter production of beneficial goods and services?

1. Agree
2. Disagree
3. No opinion

# 6

When alcohol or drug use is the primary cause of a product-related injury, should a company be allowed to use that fact in defending itself against damage claims for that injury?

1. Yes
2. No
3. No opinion

**Send Your Response Today!**



## POLL RESULTS

# Readers Express Their Concerns

**G**overnment-mandated costs are the leading concern of small-business people, according to a recent poll of *Nation's Business* readers. Of readers responding to the Where I Stand questions in the March issue, 42.1 percent listed such expenditures as their most important concern, with taxes chiefly responsible for that ranking. Nineteen percent listed economic uncertainty as their top concern, followed by health-care costs (16.1 percent), crime (11.6), and recruiting qualified workers (11.2).

Questions 1, 3, and 4 called for five rankings; Question 2 called for six. (\*)

Highlights of the results appear below.

## CONCERNS

Rank the following concerns by order of importance to you as a business person:

	1st	2nd
Government-mandated costs	42.1%	27.0%
Economic uncertainty	19.0	14.4
Health-care costs	16.1	29.3
Crime	11.6	19.2
Recruiting workers	11.2	9.8

Rank the following anti-crime steps by order of potential effectiveness:

	1st	2nd
Harsher criminal penalties	40.2%	30.2%
No parole for repeat violent offenders	31.1	38.1
Faster prosecutions	11.7	15.9
More police on the streets	6.9	7.3
More gun controls	5.4	6.4
Decriminalization of drugs	4.7	2.1

Rank these government-mandated costs according to their impact on your business:

	1st	2nd
Taxes	63.4%	17.5%
Workers' compensation premiums	20.1	39.6
Environmental-law compliance	10.9	18.5
Job-safety compliance	3.2	13.6
Disabilities-law compliance	2.3	10.8

Rank these factors as reasons why businesses often have difficulty finding qualified workers:

	1st	2nd
Failures of public education	27.3%	23.3%
Appeal of welfare vs. work	28.7	22.9
Young people's lack of motivation	24.1	26.7
School/job market mismatch	13.5	19.8
Insufficient funding of education	6.4	7.2

How do you appraise the American health-care system?

In crisis, needs major reform	20.3%
Is basically sound but needs some adjustments	67.5
No changes needed	12.2

How do you evaluate the recent upbeat economic trends?

Quick return to long-term, strong growth	3.5%
Slow but assured return to growth	43.6
Temporary, unsustainable gains	52.9

\*A detailed report on the results, including a weighted analysis, is available free from Nancy Swanson, Research Manager, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000.

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Entrepreneurs are finding that opportunities to sell abroad have never been greater. Here are suggestions for getting started. (Page 22)

#### \*CALL IT "SUPPLIER SATISFACTION"

#9011

Smart small businesses know that it pays to be a good customer. (Page 56)

#### \*NETWORKING FOR FUN AND PROFIT

#9012

How to increase your company's sales by "prospecting" for referrals. (Page 80)

#### \*HELPING INJURED WORKERS HEAL

#9013

Work-hardening physical-therapy programs are speeding employees' return to the job and cutting workers' comp premiums. (Page 40)

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## BUSINESS EXPENSES

### Meals And Entertainment: Targets Of Deduction Shrinkage

As *Nation's Business* noted last October, the 1993 Omnibus Budget Reconciliation Act took a large bite out of the deduction for business meals and entertainment. Here are more details:

Under the new law, a percentage of expenses for meals and entertainment is generally deductible if the expenses are related to a trade or business. No deduction is allowed for any meal if an employee of the business is not present. Meals and entertainment must also be directly related to or associated with the production of income.

Before the 1993 law was enacted, 80 percent of such expenses meeting those criteria were deductible; the new law cut the deductible amount to 50 percent.

In addition to regular business lunches, this limitation also applies to meals consumed during overnight business trips, meals provided by employers to employees, and tickets for entertainment and sporting events. If the cost of the meal is reimbursed to an employee, the 50 percent rule applies to the business that provides the reimbursement.

Because of this tightening of the limitation, it has become even more important to keep careful records to preserve the deductibility of the remaining 50 percent of the expenses for business meals. Em-



PHOTO: GARY THOMAS—INTERNATIONAL STOCK

**Business meals' tax deductibility has slipped again, to 50 percent; it's important to keep careful records of business topics discussed when you dine.**

ployees must keep records of the times, places, and business purposes of lunch meetings and must give this information to their employers.

If an employee owns 10 percent or more of the business, the actual expense records must also be retained by the employee.

The meals must also be directly related to or associated with the production of

income; in other words, business must actually be discussed at the meal. Employees should keep careful records of what was discussed. A notation on the charge-card slip, check, or other receipt is acceptable. Deductions of expenditures at a night club or sporting event where it is unlikely that business would be discussed are likely to be challenged by the Internal Revenue Service.

## COMPENSATION

### Distributing Earnings To Shareholder Employees

When a small business is closely held and operates as a C corporation, the preferred method of distributing earnings to shareholder employees is through salaries or other compensation. Though such compensation is income to the shareholder employee, it is deductible by the corporation. (Earnings distributed as dividends cannot be deducted by the company.)



Tax lawyer Albert B. Ellentuck is counsel to the Washington, D.C., law firm of King & Nordlinger. Readers should see tax and legal advisers on specific cases.

The Internal Revenue Service, however, will disallow a portion of the compensation deduction if it believes the amount is not "reasonable."

To avoid a disallowance, owners of any closely held small business operated as a C corporation should know the rules and the planning techniques, particularly if it's a start-up firm.

Typically, when a closely held business is starting out, there is not enough money to pay salaries to stockholders who are also working as employees. Most owners, however, expect to receive a salary when the company becomes profitable. At that time, the shareholder employee would be paid not only a current salary but also an additional salary to make up for prior years. Unless proper steps are taken, however, the IRS could successfully disallow the salary amounts for prior years—and thus disallow the deduction.

Consider the example of two individuals, each owning half the stock of a small firm that has lost money through its first five years, with neither paid any salary during that time.

In the sixth year, the company earns \$1.2 million. The two owners then pay themselves a salary of \$600,000 each and calculate it as \$100,000 for the current year and \$100,000 for each of the previous five years. But the IRS could disallow \$500,000 of each owner's salary—and probably prevail—because the company did not document the prior years' salary obligations.

To support the compensation as reasonable each year, the two owners must document a number of factors, such as compensation of other nonshareholder employees, comparable compensation in the industry, and the owners' individual contributions to the company's success.



# Editorials

## Don't Raise Regulatory Fines

Employers are required by law to display posters advising workers of their rights under various federal regulatory laws. Failure to do so carries fines starting at \$100.

But under a proposal before Congress, approved by the House of Representatives and pending in the Senate, those fines would go up substantially and even astronomically.

The fine for failing to display an Occupational Safety and Health Administration poster would go up 14 percent, while the fine for not displaying an Equal Employment Opportunity Commission poster would rise 400 percent.

Those are just two examples of what the pending measure would do. The overall result would be an immediate increase in more than 250 civil penalties and automatic increases thereafter.

The measure would link the amount of a fine to the level of inflation since it was first imposed or since its last increase. The penalties would then go up in line with inflation.

Some of the immediate adjustments would be substantial. A violation of the Toxic Substances Act could result in a \$65,000 penalty, up 160 percent from the present \$25,000. One administrative penalty authorized under the Clean Water Act would be raised 20 percent, or \$5,000, to \$30,000. The fine for failure to display the Equal Employment Opportunity Commission poster on employee rights would go to \$500.

This concept of indexing penalties levied on businesses has fundamental flaws. For one, it is a backdoor method of raising revenues without the political risks of increasing taxes. These penalties were instituted as a deterrence, not as a means of collecting money.

Rather than increasing these penalties, Congress should address the question of whether they should have been imposed in the first place and whether they are still valid as a method of enforcing the regulations from which they stem.

An objective review would show that many have outlived

## This Fight Is Not Over

Proposals to put a balanced-budget amendment into the U.S. Constitution failed in both houses of Congress this year, but supporters should not surrender.

The votes cast in the Senate and the House showed continuing strong majority support for the proposal—63 to 37 and 271 to 153, respectively.

That was just four Senate votes and 12 House votes short of the two-thirds majorities needed to send the amendment to the states for ratification.

In the Senate, the 37 opposing votes that denied the proposal the necessary two-thirds majority consisted of 34 Democrats and three Republicans. The opposition in the House consisted of 152 Democrats and one Independent member who is considered a Democrat for organizational purposes.

Heavy-handed politics figured in the pre-vote phase. Democrats were told that a vote for the amendment would undermine Clinton administration programs. Senate Majority

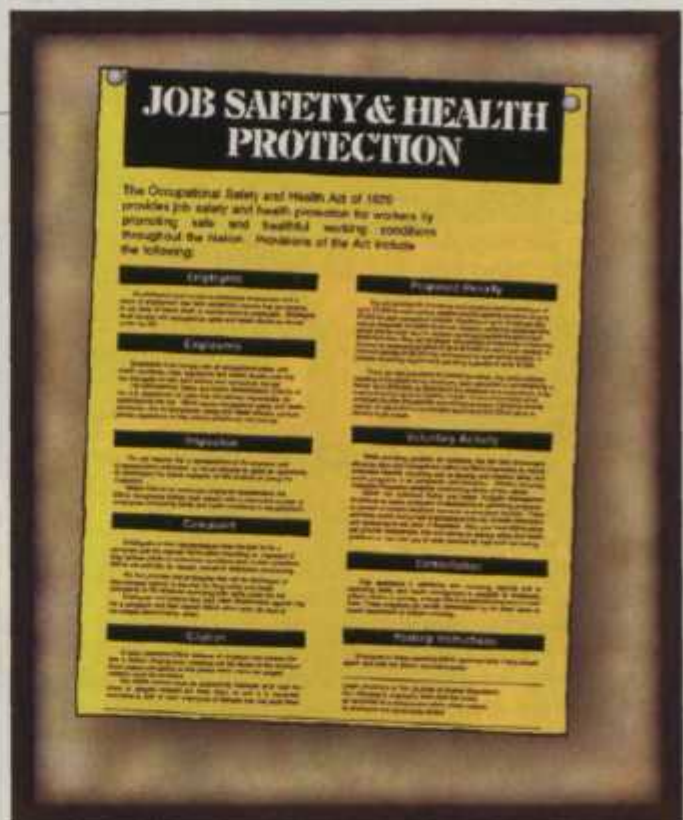


ILLUSTRATION: MICHAEL BUCK

their usefulness and necessity, and that no harm would be done by scrapping or moderating them.

On the other hand, the indexing would lock in potentially serious consequences. It would be poor economic policy to impose increases during a recession or when a particular industry was struggling against strong foreign competition, or when a disaster had made compliance with the regulations impossible.

Congress should reconsider the number and extent of all these penalties and abandon the idea of an indexing that would guarantee their continuance regardless of need.

Leader George J. Mitchell of Maine and Appropriations Committee Chairman Robert C. Byrd of West Virginia effectively applied pressure to derail the amendment. Four Democratic senators who had voted for a balanced-budget amendment when it last came up in the Senate—in 1986, under a Republican president—voted against it this time.

Senators concerned about the political liability of voting against a proposal widely supported at the grass roots were appeased by an opportunity to vote for a watered-down measure. It also failed, but supporters gained the ability to claim they had in fact voted for a balanced-budget amendment. A similar gambit was employed in the House.

Eventually, members of Congress will face the issue head on, without the political pressures and subterfuges employed this time, and they will deal with the issue on its merits.

The minority of members of Congress who oppose a balanced-budget amendment should be aware that in this November's congressional election—and in future elections—they will be facing voters who have made it abundantly clear that they support this basic fiscal reform.



# Free-Spirited Enterprise

By Janet L. Willen

## This Takes The Cake

If your mother's an angel—and what mother isn't?—you can surprise her on Mother's Day with angel food cake from Evie Madison, Cuisinier, of Livonia, Mich.

Too plain-vanilla? Not Madison's. Her fat-free cakes come in lemon, raspberry, apple cinnamon, peach amaretto, strawberry banana, cherry brandy, and chocolate—as well as plain white.

Madison says she uses all-natural ingredients and blends her own flavorings.

The cakes are available in gourmet stores or from Evie Madison. A 7-inch cake costs \$3.25, a 10-inch cake costs \$4.75, and quantity discounts are available. Shipping is extra. For information on stores that sell the cakes or to order, call 1-800-448-EVIE, or 1-800-448-3843.

## On The Road

Aspiring salespeople get a

taste of life on the road in Beat The Competition, a board game from Compete! Games, of Red Bank, N.J.

Each player is an account executive trying to return to the home office with the highest volume of orders. Players follow a path home, through the United States and Canada, picking up cards that may give them bonuses, commissions, and other perks, or missed flights, the flu, and speeding tickets.

The family game costs \$25 plus \$3 for shipping and handling. For more information,

call Compete! Games at 1-800-835-2246, Ext. 9.

## In A Word

Do you say what you mean and mean what you say?

If not, a brochure titled *Do you make these mistakes when you communicate?* might be able to help you correct your gaffes.

The eight-page publication, from **Communication Briefings**, publisher of a monthly newsletter on communication techniques, is a guide to some of the most common errors in communication.

Mistake No. 1, the company says, is "Failing to listen well."

One solution: "Paraphrase what a speaker said to you to be sure you understand each other."

To find out what else to do about this or other mistakes, send \$1 to Communication Briefings, 700 Black Horse Pike, Suite 110, Blackwood, N.J. 08012.

## Flotation Devices

Water safety is a key concern of Teraco, Inc., a manufacturer of promotional products in Midland, Texas.

The company makes a variety of durable foam tags that not only identify keys but also keep them afloat if they fall overboard. The manufacturer says the tags can be custom-printed with a name, logo, and even water-safety messages such as "Don't Drink While Boating" and "A Life Preserver Only Works If You Wear It."

The tags are available from local promotional product distributors. For more information, call 1-800-725-7736.

message comes from **Active Noise and Vibration Technologies, Inc.**, of Phoenix. The company designed a headset, NQ100, to quiet unwanted noises up to 18 decibels without blocking the sounds you want to hear.

The headset can cancel low-frequency sounds (30 to 1,400 hertz), such as those from industrial machinery, trains, appliances, and airplanes.



The unit consists of a 5-ounce headset and a 5-ounce, pocket-size control case. Tiny microphones in the earphones pick up low-frequency sounds and send them to the control box, where a processor generates mirror-image antiwave sounds that it sends back. When the two sound waves meet, they cancel each other, which reduces or eliminates certain noises.

High-frequency noises, like speech, music, and warning signals, come through loud and clear because the unit affects only low-frequency noises.

Music lovers, take note: The unit has an audio-play-through feature made to block the low-frequency distortions of music.

The NQ100 costs \$189. For more information, call 1-800-858-2688.



## Quiet Time

The whir of computers and the blare of horns don't have to be a part of the workday. That

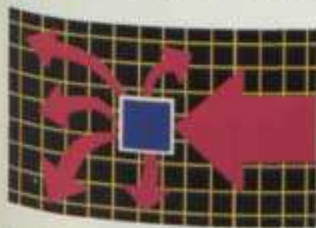






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Every night, over five hundred thousand pounds of packages race through our brand new Indianapolis hub, the central facility for Express Mail®



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packages from across the country. Their cargo is swiftly removed, sorted, and reloaded; by 3 a.m., the last jet has sped off into the night.

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*We Deliver For You.*

\*Postage refunded upon application if delivery is not made or not attempted by noon or 3 p.m., depending on the destination. Some restrictions apply. Check with your local post office for details.

Circle No. 6 on Reader Service Card



A car's past speaks volumes about its future. The more impressive the credentials, the better the likelihood it will perform its appointed tasks.

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To borrow from the language of résumés, it comes highly recommended. *Automobile Magazine*\* has called the Camry XLE V6 "the best car built in America."\*\*\*

Built in America, by Americans. In Georgetown, Kentucky, to be more precise.

Looking for a



So now both driver and passenger can feel that added peace of mind. Naturally, safety credentials like side-door impact beams

are built into every Camry, and available Anti-lock Brakes provide enhanced control even under the most challenging conditions.



Dual Air Bags†

Now for the money issue. Because of its reliability and retained value the Camry can help you attain the bottom line you want. And a new, more powerful V6 engine with 188 horsepower is available allowing you

## If You Could Interview Your Car, What Would Its Résumé Look Like?

comfortable, quiet place to conduct business? The Camry not only has room for five adults, its interior amenities offer a level of comfort and luxury normally reserved for far more expensive cars.

Of course safety on the job is paramount. Which is why a passenger-side air bag† has been added for 1994.

to effortlessly negotiate the demands of commuter driving. Or, should you choose, simply put it all behind you.

If this is the kind of candidate you're looking for, call 1-800-552-FLEET for more information. You'll find

the Camry's more than qualified to fill the job.

 **TOYOTA Camry**  
*"I love what you do for me."*



Buckle Up! Do it for those who love you. ©1993 Toyota Motor Sales, U.S.A., Inc. \*Automobile Magazine, September 1992. \*\*Most Camrys are built in the U.S. †Always use your seatbelt. Driver- and passenger-side air bags are a Supplemental Restraint System (SRS). Shown with optional equipment.

Circle No. 5 on Reader Service Card



# The Business Advocate

SUPPLEMENT TO **Nation's Business** MAY 1994

U.S. Chamber of Commerce

## Huge Health Vote



From left to right, Jeffrey Kulick, U.S. Chamber vice president, planning and marketing; R. Bruce Josten, senior vice president, membership policy; and mail room Supervisor Ron Price examine responses to the Chamber's health-care poll of its members.

**40,000 Members Respond  
To Health-Care Poll, Strongly Endorse  
Market-Based Solutions**

*See Story, Page 100.*



## ■ Headquarters

# U.S. Chamber Moves Forward In Restructuring Operations

**T**he U.S. Chamber of Commerce has merged its Development and Policy groups as part of a reorganization to streamline operations and better serve its members.

The newly formed Membership Policy Group is now headed by Senior Vice President R. Bruce Josten, a 20-year U.S. Chamber veteran, who most recently was in charge of the organization's Development Group.

Reporting to Josten are five divisions—Planning and Marketing, Membership Sales, Domestic Policy, Economic Policy, and International.

The new group also includes the congressional-liaison operation and GAIN, the Chamber's Grassroots Action Information Network, which links activists on legislative and regulatory issues with Chamber specialists in Washington.

"The merger moves policy formation and implementation closer to the Chamber's 220,000 members and will achieve efficiencies consistent with what most of American business is doing," said Chamber President Richard L. Leshner. "The bottom line is that we will be able to represent our members more effectively, giving them a greater return on their investment in us."

Josten came to the U.S. Chamber in 1974 as a telemarketing representative in New York City after graduating from Harvard University. He rose through the ranks, holding key field marketing positions in the Chamber's San Jose and Dallas offices.

In 1983, Josten moved to the organization's Washington headquarters as the national membership director. A year later he became group vice president of development and assumed the position of senior vice president in 1991.

William T. Archey, who had served as senior vice president of the Policy and Congressional Affairs Group, left the Chamber on the basis of a mutual agreement and is pursuing other interests.

What were previously four major areas of responsibility have been consolidated into three.

The Chamber's top-management team now consists of the president and three senior vice presidents. Along with

Leshner as president and Josten as senior vice president of the Membership Policy Group, Carl Grant will continue as senior vice president of the Communications Group and Lawrence

**The U.S. Chamber's top executives: from left to right, U.S. Chamber President Richard L. Leshner; Lawrence B. Kraus, senior vice president/administration; R. Bruce Josten, senior vice president/membership policy; and Carl Grant, senior vice president/communications. In streamlining the organization's management structure, Leshner recently consolidated Chamber operations under the three senior vice presidents.**



B. Kraus as senior vice president of the Administration Group.

Donald J. Kroes, vice president of the Office of Grassroots Operations, is retiring after 28 years of Chamber service. His responsibilities are being absorbed within the new organizational structure.

The business group's Federation Department, which services the organization's 3,000 state and local chamber members and 1,200 trade and professional association members, has been moved to the Quality Learning Services Division as part of the Communications Group.

Quality Learning Services was es-

tablished in 1992 to oversee the rapidly expanding group of programs involving the Chamber federation and includes the Institutes for Organization Management, the Distance Learning

Division, and the Business Conferencing Division.

The recent changes continue a strategic realignment that has been under way at the Chamber for the past two years.

A critical part of earlier moves in the Chamber's restructuring was the expansion of the organization's legislative capabilities in the field through the merging of membership centers with the policy-based regional offices.

"This latest action in our realignment furthers the goal of achieving the highest-quality services for Chamber members," Leshner noted. "Our ability to influence public-policy decisions for



*The business federation aims to tighten the connection between its policy positions and its members' views.*

the good of all Americans continues to grow stronger than ever."

A major goal of the Chamber's restructuring is faster and more effective communications with members.



on issues and access to policy-makers in Washington.

(See details on the network's development on Page 107.)

Since September, GAIN has been

providing additional background on legislative issues to Chamber members who have signed up as participants. The number of participants in the GAIN system has grown to 26,000 since it was established.

As an adjunct to the GAIN network, "GAIN Update" was created as part of *The Business Advocate*. This section of the magazine provides more-detailed information on legislative and regulatory developments from the Chamber point of view on business-related issues.

To increase the timeliness of member communications, publication of *The Business Advocate* was expanded from six to 10 times a year.

The Chamber is also improving business communications through "First Business," the weekday business news

show produced by the organization and carried on the USA cable network.

Sponsored by Connecticut Mutual Life Insurance Co., the program will expand to 1.5 million households in Latin America on May 2. The show will be available to those homes via USA Latin America, which is a service of the USA Network.

In addition, the program has recently been made available to regional cable networks and over-the-air broadcast stations for time slots following its early-morning air times on the USA Network.

Meanwhile, the show continues to be carried by WORLDNET, a global net-

work of the U.S. Information Agency.

The Chamber also recently entered a strategic association with Bloomberg Financial Markets to provide business television programming via direct

broadcast satellites to U.S. households. The programming service is called Bloomberg Direct.

Other major communication milestones the Chamber has achieved in recent months have included:

- The first broadcast via satellite of a Chamber annual meeting. The 1994 event, in February, linked participants at more than 110 sites throughout the country to the federation's Washington headquarters.

- The first satellite town meeting on a major legislative issue—the North American Free Trade Agreement—which since its implementation in January has already reduced many trade barriers among the U.S., Mexico, and Canada.

More than 1,000 sites across the country received the broadcast via satellite in November, preceding the highly publicized votes on the trade pact by the House and Senate.

The Chamber had been working toward execution of such satellite meetings since its broadcast studio was completed in 1981.

In the fall, the Chamber's Quality Learning Services Division will begin conducting business conferences by satellite.

In other member-service efforts, more than 30,000 companies are now participating in the ConSern: Loans for Education program, which offers loans to owners and employees of U.S. Chamber-member companies. The program was launched in 1987. It is administered by University Support Services, Inc.

To date, about 125,000 loans, totaling \$750 million, have been granted through the program.

**"The bottom line is that we will be able to represent our members more effectively."**

—U.S. Chamber President  
Richard L. Lesher



Personnel and resources have been redeployed to develop a responsive high-tech system for improved membership relations.

A state-by-state satellite network is being installed to enhance grass-roots operations, and other recent communications initiatives are being implemented to improve the link between the Chamber's Washington headquarters and its members, including state and local chambers of commerce as well as individual business members.

The state-by-state satellite network taking shape is expected to give Chamber members and the business community-at-large unequal insights



## Health Care

# 40,000 Respond To Poll

A membership poll of the U.S. Chamber of Commerce on health-care reform produced a massive response that strongly endorsed market-based solutions and rejected mandates and a government-run plan.

The vast majority of the 40,000 members replying to the survey gave priority to incremental reforms that would enhance the existing U.S. medical system as opposed to radical change.

The Chamber's board of directors conducted the poll to obtain member input on the direction the organization should take in the national debate on health-care reform.

The Chamber had not endorsed any of the many plans pending on Capitol Hill and had specifically rejected

President Clinton's Health Security Act.

In addition, the Chamber board rejected in February any form of employer mandate and suspended its support of universal coverage as a goal. At the same time, it approved reform concepts common to most of the major health-care proposals. (See details in Question 1.)

In announcing those decisions, Chamber Chairman William C. Marcell stated: "Any reform of America's health-care system must be a market-based solution without excessive cost, regulation, or bureaucracy."

Endorsing that approach in their poll responses, 87.2 percent of members rejected a government-run health-care system financed by taxes, and 71.2 percent opposed a federal mandate that em-

ployers provide and help finance health insurance for employees.

The "common elements" of prompt, incremental reform were approved by a margin of nearly 3 to 1.

A proposal to require individuals to obtain health-care insurance and pay for it if their employers declined to do so was rejected. Similarly, members rejected a federal requirement that all employers offer health insurance to employees without a commitment to cost-sharing.

The latter option covered proposals for medical savings accounts subject to the same tax treatment as IRAs.

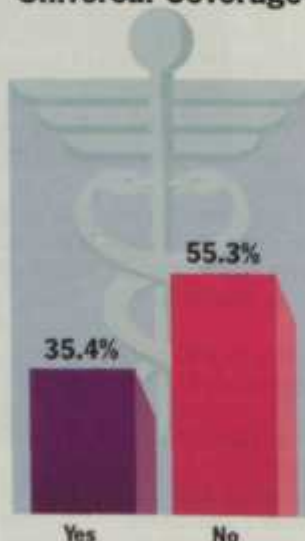
The poll results showed that business people's opinions on federal subsidies to help low-income individuals buy health insurance are divided almost equally.

### Common Elements



**1** A number of common health-care-reform elements appear in most of the proposals pending in Congress. They are: a standard minimum benefits package; price-and-quality report cards on health plans; insurance reforms to assure availability and portability of coverage; consumer choice; purchasing pools for small employers and individuals; simplified administration; malpractice reform; and 100 percent tax deductibility of health-insurance premiums paid by the self-employed. Do you generally support these types of reforms?

### Universal Coverage



**2** Should the United States seek, over time, universal coverage for all Americans?

### Enhance Current System



**3** Enhance the current system—Health insurance should be a voluntary employee benefit but should include common reform elements described in Question 1. The decision as to whether health insurance should be made available to employees or if any or all of it should be paid for by the employer should be voluntary, not mandated by government.

Is this acceptable or unacceptable?

### Expand Low-Income Coverage



**4** Expand coverage for low-income individuals and families—Government should provide expanded financial assistance to help buy private insurance for low-income individuals and families, thereby improving health-care coverage and lessening cost-shifting.

Is this acceptable or unacceptable?



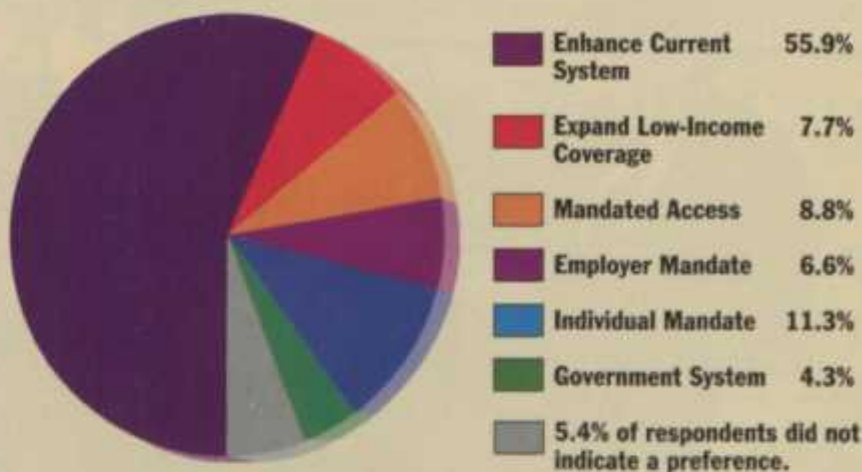
In selecting a top priority among major reform options, 55.9 percent of the respondents listed enhancement of the present system. (See details in the chart at right.)

Richard L. Lesher, Chamber president, commented on the results: "We are gratified that our members have strongly endorsed the free-market approach to health-care reform that their board has consistently pursued. We will continue to fight for these principles on behalf of our membership, and we are increasingly confident that the Congress will see that this is the approach that most Americans want adopted."

The findings of the poll were complemented by results of the March Where I Stand survey in *Nation's Business* showing that 67.5 percent of respondents view the present health-care system as basically sound but in need of adjustments; 20 percent view it as being in a crisis that requires major reform. Only 12 percent said that the present system does not require any changes.

## Chamber Members' Preferences

(Respondents were asked to list which one of the potential health-care reforms headlined in Questions 3 through 8 they most preferred.)



SOURCE: U.S. CHAMBER OF COMMERCE, MEMBERSHIP POLL, MARCH 1994

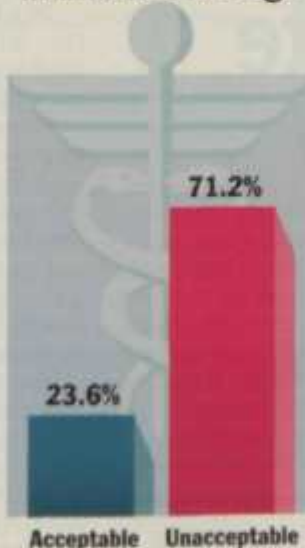
### Mandate Access



**5** Employer-required access—Government should mandate that all employers offer health insurance to their employees, but whether the employer pays for any or all of that insurance should be a voluntary decision. This incorporates making medical savings accounts (similar to a medical Individual Retirement Account) available to employees.

Is this acceptable or unacceptable?

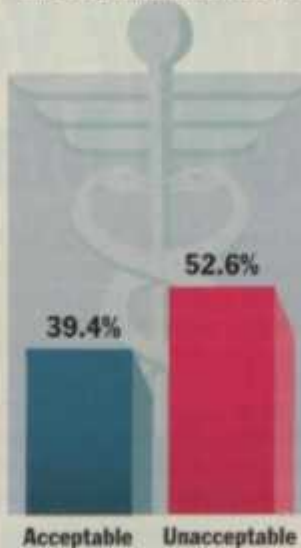
### Mandate Coverage



**6** Employer mandate—Government should mandate all employers to make health insurance available to employees and also mandate employers to pay for some portion of that insurance and individuals to take that insurance. This option assumes government will provide some financial assistance to qualifying small businesses, generally for those with low-wage employees, and to low-income individuals and families.

Is this acceptable or unacceptable?

### Individual Mandate



**7** Individual mandate—Government should mandate every individual to have health insurance but should not mandate employers to pay for it. If the employer did not voluntarily pay for it, the individual would then be required to pay for it. Government financial assistance for low-income individuals and families would be available.

Is this acceptable or unacceptable?

### Government System



**8** Government-run health-care system—Government should provide health-insurance coverage for all citizens and should pay for it through taxes on individuals and businesses.

Is this acceptable or unacceptable?



## ■ Vote Pending



The Chamber's Peter Eide, left, and Lonnie Taylor, center, meet with Sen. Orrin G. Hatch, R-Utah, in Hatch's Capitol Hill office to discuss a strategy for blocking passage of a bill to ban the permanent replacement of striking workers.

# Senate Striker Vote Now Likely In May

**T**he battle to preserve or change nearly 60 years of labor law dealing with the replacement of striking workers is expected to reach a climax sometime in May.

Senate Majority Leader George J. Mitchell, D-Maine, has indicated that a Senate vote on the striker-replacement bill (S. 55) will occur before Congress re-

ceases May 26 for Memorial Day.

The bill would prohibit employers from permanently replacing workers who strike over economic conditions, such as wages and benefits. Similar legislation has already passed the House.

With the Senate vote pending, organized labor is mounting a massive campaign to win support for the measure.

The U.S. Chamber of Commerce and the Alliance to Keep Americans Working, a coalition of businesses and associations fighting the bill, are meanwhile continuing their grass-roots campaigns to block the bill's passage.

Strong opposition from business has delayed a Senate vote on the bill since the House vote last June.

Opponents of the strike bill, led by Sens. Orrin G. Hatch, R-Utah, and Nancy Landon Kassebaum, R-Kan., are expected to conduct a filibuster—a prolonged debate—to prevent a vote on the legislation. To end the filibuster and call for a vote on the bill, proponents must have 60 votes.

Mitchell had indicated that the legislation would not be considered until the 60 votes were committed.

*Call your senators immediately and urge them to help sustain a filibuster on the strike bill and to vote against the legislation itself if the filibuster is broken. Dial the Senate switchboard at (202) 224-3121.*

## ■ NLRB

# Cohen Named To Labor Board

**C**harles I. "Chuck" Cohen, a lawyer who served on the U.S. Chamber of Commerce's Labor Policy Committee for several years, has been appointed to the National Labor Relations Board.

Cohen served on the Chamber committee until he was nominated for the NLRB by President Clinton. His appointment, which the Chamber supported, was confirmed by the Senate on March 3.



Charles Cohen

The NLRB is the independent federal agency that administers and interprets the National Labor Relations Act—the nation's fundamental labor law—in disputes between employers and employees.

Cohen is filling one of three NLRB seats that were vacant for most of Clinton's first year in office. He is one of five NLRB members. Cohen was most recently a partner with the Washington, D.C., office of the law firm of Ogletree, Deakins, Nash, Smoak & Stewart.

## ■ Business Ballot

**W**atch for The Business Ballot in the June issue of *The Business Advocate*. While *The Business Advocate* is now published monthly—except in August and January, when it is not produced—The Business Ballot remains bimonthly.



# GAIN UPDATE

GRASSROOTS ACTION  
INFORMATION  
NETWORK

U.S. Chamber of Commerce Federation

## Moving Toward Moderation On Health Care

*Other business-related measures advance in Congress.*

A commentator recently suggested that the most descriptive word for the health-reform debate is "messy." It has made hundreds of Washington representatives, association staff members, and reporters punchy trying to follow developments. New phases of the debate seem to occur almost daily, although officially not much has been done.

Along with signs of spring, however, spectators are now seeing evidence of a diluting of proposals, which may be a move toward more moderate approaches. The original 1,300-page Clinton reform plan put everyone on notice that the White House was serious, organized, and knowledgeable about health care.

But now that opponents must be converted and the undecided wooed, a certain pliability has emerged. Even the president's pen-waving threat to veto any legislation that does not guarantee coverage to all Americans seems less of an ultimatum amid discussions of what "universal" coverage actually means.

Unfortunately, the moderating influence has not yet extended to employer mandates, which continue to flourish in the approaches of the president and some key members of Congress.

The U.S. Chamber of Commerce is opposed to employer mandates in general and the Clinton plan in particular. The business federation has polled its 220,000 members on various health-reform plans now being discussed, and results show overwhelming opposition to employer mandates.

Apart from the mandate issue, influential members of Congress have begun modifying the president's plan. Rep. Fortney "Pete" Stark, D-Calif., chairman of the House Ways and Means Health Subcommittee, substituted a bill of his own for the Clinton bill during the panel's markup of the president's plan.

Stark jettisoned the president's unpopular mandatory regional alliances, which would act as central purchasing agents for health coverage, and added a new category to the federal Medicare system to cover the uninsured. Employers

with fewer than 100 workers could buy into the system under Stark's plan. Also, states would be allowed to set up health alliances, but employers could not be required to join them.

The panel retained a proposal to require employers to pay 80 percent of workers' health-care premiums. Other financing would come from a \$1.25-a-pack increase in the federal cigarette tax. A 0.8 percent payroll tax originally proposed was deleted.

More obviously aimed at conciliation was a proposal drafted by the House Energy and Commerce Committee.

Like Stark's bill, this proposal would eliminate mandatory alliances. It would make a group-purchasing vehicle available in every state to individuals and businesses with fewer than 1,000 employees, but participation would be voluntary. There is a catch, though: Required employer premiums paid outside the purchasing vehicle apparently would be pegged to an average price for the whole region, regardless of an individual employer's success in controlling costs.

In an attempt to allay small-business "mandate" fears, the Energy and Commerce Committee draft would exempt firms with 10 or fewer workers from a requirement to provide insurance; however, such firms would have to pay a payroll tax of 1 percent to 2 percent depending on their size.

While some lawmakers called this a step in the right direction, small-business groups, including the Chamber, were unimpressed.

As these substitute proposals were being proffered, another bill was added to the reform roster. Introduced by Reps. J. Roy Rowland, D-Ga., and Michael Bilirakis, R-Fla., the Health Reform Consensus Act of 1994 targets reforms on which there is widespread agreement—portability of coverage, availability of coverage regardless of pre-existing conditions, malpractice reform, and 100 percent deductibility of health-insurance costs for the self-employed. Sponsors say the bill would guarantee "responsible progress on health reform" if none of the "high-profile" plans are enacted.

The dilution trend—or perhaps a shift in emphasis from the theoretical to the practical—is not confined to legislators. Over the past couple of years, managed competition has been a favored reform approach, underpinning the Clinton plan and proposals advanced by Rep. Jim Cooper, D-Tenn., and Sen. John H. Chafee, R-R.I. The concept's creators are health-policy experts collectively known as the Jackson Hole group because they began meeting in Jackson Hole, Wyo. They have undertaken a re-examination of their original proposal.

In a draft document titled "Managed Competition II," significant changes in the group's views are evident: voluntary instead of mandatory purchasing groups for small business, a pay-as-you-go discipline applied to achieving universal coverage, and deferral of any form of mandate until the



### How You Can Join GAIN

The Grassroots Action Information Network—GAIN—enhances the ability of business people to influence government decisions that affect their enterprises. Through the network, the U.S. Chamber staff of specialists on legislative and regulatory issues provides activist business people with the timely and thorough information they need to urge their members of Congress to cast pro-enterprise votes.

For more information on how you can become a member of this network, call (202) 463-5604.



## GAIN UPDATE

effects of initial reform can be measured. Here again, the move toward moderation is clear.

## Chamber Needs Your Support On Measures Designed To Reduce Government Red Tape

The nation would benefit if significant amounts of the dollars and hours that business people spend on federal paperwork and other regulatory burdens went into the expansion of product lines, markets, and job opportunities.

The U.S. Chamber is seeking just such a switch in resource allocation by pressing for reauthorization of the Paperwork Reduction Act and enactment of the Economic and Employment Impact Act and the Regulatory Flexibility Act Amendments.



All would ease the burdens imposed by federal regulatory and paperwork mandates.

The economic and employment impact measure, sponsored by Sen. Don Nickles, R-Okla., would require that an analysis be done on all legislation considered by Congress and on all regulations considered by the executive branch to determine

their effects on the economy and jobs.

The Regulatory Flexibility Act Amendments would strengthen federal agencies' responsibilities to consider the impact of regulations on small businesses.

After a string of hectic days at Chamber headquarters, as well as innumerable late-night and weekend discussions with congressional staff members, the Chamber succeeded in getting the Nickles proposal and the regulatory-flexibility measure, proposed by Sen. Malcolm Wallop, R-Wyo., attached to S. 4, the National Competitiveness Act.

A House bill similar to S. 4, however, does not contain the amendments, and the Chamber needs your support to ensure that they survive the House-Senate conference resolving differences in the two competitiveness bills.

Although Sen. Christopher S. Bond, R-Mo., agreed to propose legislation to reauthorize and strengthen the Paperwork Reduction Act as an amendment to S. 4, the opportunity to have the Senate consider it was denied through parliamentary legerdemain. Had the paperwork bill been considered, said supporters, it would have been approved, based on preliminary vote counts. The Chamber nonetheless applauded Bond for his leadership in this effort.

The Paperwork Reduction Act was designed to ease paperwork burdens imposed by the federal government on individuals, small and large businesses, state and local governments, and educational institutions.

Legislation to reauthorize the law (S. 560/H.R. 2995) would require:

- A 5 percent annual reduction in the amount of federally imposed paperwork.
- A more serious examination of the necessity of government information requests.
- Better substantiation by federal agencies of their estimates of burden hours that would be imposed by an information-collection request.
- Controls to curb duplication of information-collection requests.

The Chamber will be capitalizing on the regulatory-reform momentum in pressing for passage of the paperwork measures. The best hope for increasing the momentum right now is in the Senate, where there is a strong desire for this pro-business reform.

The Chamber is working closely with Bond and Sens. Sam Nunn, D-Ga., Dale Bumpers, D-Ark., John C. Danforth, R-Mo., and Richard C. Shelby, D-Ala., on developing the best strategy for achieving a successful floor vote. Nunn, the chief sponsor of the Senate legislation, has indicated that he will push for consideration of the paperwork reauthorization measure in late April or early May.

## Striker-Replacement Efforts Have Succeeded So Far, But Pressure Must Continue

For months the U.S. Chamber has been telling you that the striker-replacement bill (S. 55) could be voted on in the Senate at any time. Your tremendous efforts have helped block action on one of organized labor's top legislative priorities.

The Chamber is concerned, however, that if the striker-replacement alarm rings too many times without a fire breaking out, GAIN members will think it's just a case of a faulty alarm system. But the threat is real: The chief AFL-CIO lobbyist says the organization plans to push for a vote on the bill in mid-May. And the staff of Senate Majority Leader George J. Mitchell, D-Maine, who schedules bills for action, confirmed that the legislation will be voted on before the Memorial Day congressional recess, set to begin May 28.



Stopping S. 55 is critical because the House already has passed its version of striker-replacement legislation, and President Clinton has stated that he will sign such a bill if it is adopted.

The unions have targeted Sens. Dale Bumpers and David Pryor, both Arkansas Democrats, and Sens. Sam Nunn, D-Ga., William S. Cohen, R-Maine, John H. Chafee, R-R.I., James M. Jeffords, R-Vt., and Dave Durenberger, R-Minn., to win their support for the bill.

These senators are important, but so are many others. In fact, the entire Senate needs to be reminded that business men and women everywhere won't allow the striker-replacement bill to take away their right to stay in business during a strike. Also, unions should not be handed the ability to force employees to join a union without a secret-ballot election; the striker-replacement bill would enable unions to do that.

Business already has seen three of the strategies the unions will use to try to get the few more Senate votes they need to stop a prolonged debate or filibuster and pass the measure.

The first was employed during the spring recess in late March and early April, when supporters of the bill tried to hammer home their message while the targeted senators were enjoying the holiday period in their home states. Strike-bill supporters showed up at every public appearance by their senators and bombarded their offices in the state, as well as in Washington, with propaganda and telephone calls.

The second strategy, the so-called "compromise," has been used once before. In an attempt to overcome a filibuster of the same bill in 1992, Sen. Howard M. Metzenbaum, D-Ohio, the strike bill's sponsor, offered to amend the measure to require that employers arbitrate disputes with a union and be allowed to hire replacements only if the union refused to abide by the arbitrator's decision.

Senators supporting the filibuster rejected the compromise, which would have benefited only the unions. Metzenbaum withdrew the proposal after he lost two votes to end the filibuster.



## GAIN UPDATE

Already there is talk of another compromise that would bar replacement of strikers for two months after a strike starts. After that period, an employer could replace a small percentage of his or her work force. About a week later, another small group of strikers could be replaced. Eventually, all strikers could be replaced.

The U.S. Chamber has told the AFL-CIO and every senator that all "compromises" are unacceptable because they would take away an important employer right—the right to stay in business even if employees strike. After all, employees are free to work elsewhere during a strike.

Another emerging strategy of proponents of a strike bill is to claim that the filibuster is undemocratic and that it frustrates the will of the majority.

But the filibuster is an important part of the checks and balances built into the Constitution. The Founding Fathers were concerned that the rights of a minority could be trampled by an impatient majority. That's why the Senate was designed to be a slower, more deliberative body than the House of Representatives. The filibuster gives a large minority—at least 41 senators are needed to sustain a filibuster—the ability to stop legislation.

With those stratagems in mind—and the imminent action on the Senate strike bill—it is critical for business people to implore their senators to keep the collective-bargaining system balanced and fair. Unions can't have the right to force an employer out of business, nor can unions be allowed to force employees to join a union without a secret-ballot election. S. 55 is a desperate power grab by a shrinking special interest that thrives on power and conflict.

Don't miss an opportunity to tell your senators, as soon as possible, to vote no to any "compromise," no to ending a filibuster, and no to final passage of the striker-replacement bill.

## U.S. Chamber Is Closely Monitoring Developments On Trade With Japan

The U.S. and Japan announced March 12 a tentative resolution of the cellular-telephone trade dispute between the two countries, which could have led to U.S. retaliatory action against Japan's restrictive trade practices in that sector.

Under the terms of the agreement, Motorola Corp.'s Japanese partner, IDO, will make necessary telecommunications infrastructure investments in metropolitan Tokyo that will permit Motorola's cellular phones to be used throughout that region. The result, at least for the short term, is that U.S. retaliation has been put off.

Earlier, on Feb. 24, the Fair Market Access Act of 1994 (H.R. 3900) was introduced by House Majority Leader

Richard A. Gephardt, D-Mo. Gephardt's bill seeks to turn up the heat on Japanese trade barriers by targeting a variety of new reporting requirements and encouraging additional negotiations specifically with Japan.

While virtually all the steps that would be required under the bill can be taken under existing law, Gephardt has indicated an interest in focusing more intently on the full range of Japanese trade practices that allegedly harm U.S. business interests.

It is possible that Gephardt's legislation as well as other bills will be considered either as part of or in tandem with

legislation that Congress is considering to implement the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) to reduce tariff and nontariff barriers to global trade.

Meanwhile, the Office of the U.S. Trade Representative is reviewing Japanese compliance with the more than 30 U.S.-Japan trade agreements over the past 20 years.

The U.S. Chamber has argued since 1986 that trade-agreement violations warrant U.S. retaliation if left uncorrected and that parties who don't live up to a commitment ought to be held accountable.

Japan announced March 29 that it would take a series of "voluntary" measures to liberalize trade in telecommunications and medical technologies, insurance, and automobiles and auto parts. The Clinton administration, however, has criticized the plan as lacking in both specific commitments and breadth of coverage.

Still, many Japanese companies are taking a fresh look at U.S. products because the strong yen has made many high-quality U.S. products even more competitive in price terms as well.

## Wide Range Of U.S. Business Interests At Stake Over Policy Toward China

Chinese defiance of the U.S. human-rights agenda continues to reverberate throughout the international business community.

A growing number of U.S. companies are fearing the worst for their global competitiveness if Congress denies China most-favored-nation (MFN) status and if, as a result, those firms are locked out of the rapidly growing Chinese market of more than 1 billion people.

At stake are the interests of a wide range of U.S. business interests—telecommunications, heavy equipment, energy, and agricultural and consumer products, among others—that could lose in this situation.

Moreover, U.S. consumers would also lose as prices of imported Chinese toys, footwear, apparel, consumer electronics, and numerous other retail goods rise because of sharp increases in U.S. tariffs.



The U.S.-China dispute has implications for U.S. interests in east Asia that go well beyond trade and economics, though. For example, South Korea has long-standing economic, political, and military ties with the United States, which engaged Chinese soldiers in combat on South Korea's behalf during the 1950-1953 Korean War.

Some in South Korea, however, now believe that China must play a pivotal role in seeking any resolution of the current military and nuclear-proliferation crisis between North Korea and South Korea.

As a practical matter, the U.S. administration has until June 3 to get itself out of this mess. U.S. trade law requires that a decision on MFN status be made by that date.

The China policy as it now stands appears in considerable disarray. No one knows for sure what decision President Clinton will make. One thing is certain: He painted himself into a corner last year with a trade-and-human-rights linkage now known to be unworkable, and it will be very difficult to get out.

If his decision is perceived as a fainthearted U.S. reversal in the face of Chinese resolve, congressional reaction could be



## GAIN UPDATE

severe, and U.S. business interests could get lost in the ensuing legislative fight to terminate China's trading status.

If this happens, the Chamber urges you to tell your members of Congress not to damage U.S. interests in the name of punishing China and to maintain U.S. influence in what is now the largest and most rapidly growing region of the world.

## OSHA Overhaul Measure Would Discourage Employers' Safety And Health Initiatives

Since the early 1970s, illnesses, injuries, and deaths attributed to workplace accidents have dropped dramatically. Despite this trend, some lawmakers in Congress—pushed by the AFL-CIO—want to rewrite the Occupational Safety and Health Act, which governs workplace safety.

Rep. William D. Ford, D-Mich., and Sen. Edward M. Kennedy, D-Mass., are looking to do just that with their Comprehensive Occupational Safety and Health Reform Act (COSHRA) legislation.

Ford's Education and Labor Committee approved the measure in mid-March, and Kennedy's Labor and Human Resources Committee was expected to approve his bill in late April or early May. Both measures are expected to be voted on by the full House and Senate, respectively, in early summer.

COSHRA mandates include:

- Dramatically increasing civil and criminal penalties.
- Requiring all employers to establish a detailed health and safety program.



- Requiring employers to establish a joint employee-management health and safety committee with broad powers to inspect the workplace and investigate safety complaints.

- Broadening criminal responsibility to include individual managers and supervisors and requiring them to pay their own

criminal penalties without assistance from the company.

- Increasing the minimum fine for many violations of OSHA regulations to \$1,000.

The House labor panel session to consider the Ford bill (H.R. 1280) was disappointing. An alternative bill—which sought to achieve better workplace safety and health through employer incentives rather than prison terms, mandates, and new fines—was offered. The bill also included a section to encourage—but not require—employers to adopt policies to fight drug abuse in the workplace.

But the alternative was rejected, as was almost every other amendment to Ford's measure. What emerged was the initial COSHRA bill with a few cosmetic changes. Only two members of the chairman's party voted against his bill.

Kennedy's version of COSHRA (S. 575) contains the same unworkable and onerous mandates. COSHRA opponents on the Senate labor committee also had an alternative, which was similar to the alternative offered in the House labor committee. It, too, emphasized employer incentives and cooperation rather than government mandates.

The U.S. Chamber of Commerce opposes a complete overhaul of OSHA as the Ford and Kennedy bills propose. It does, however, support changes in the nearly 25-year-old statute. The Chamber has been developing an alternative proposal that relies on incentives and cooperation between OSHA and employers.

Although the House and Senate labor panels have approved the COSHRA measures, their passage by the House and

Senate is less than certain. Opposition to the wholesale changes proposed is growing.

Governors, state legislators, mayors, and local government officials have voiced their opposition to the legislation because of the proposal to extend OSHA's jurisdiction to all state and local governments.

And, although he testified in favor of the Ford and Kennedy measures, Joseph Dear, the administrator of OSHA and an assistant labor secretary, told an audience of company safety and health officials March 22 in Denver that COSHRA proponents would have to make substantial compromises to get the bill passed this year.

Employers, too, are questioning the premises of the COSHRA legislation. They note that they are deeply concerned about the safety of their employees. In addition, notes Peter Eide, manager of labor law for the U.S. Chamber, the rapidly climbing costs of workers' compensation claims and health-care premiums ensure that employers pay attention to workplace safety and health.

The Chamber urges you to communicate your opposition to COSHRA. Please contact your senators and representative.

## S-Corporation Reform Bills Ready For Committee Action In House And Senate

Efforts by the U.S. Chamber of Commerce to improve the competitiveness of small firms operating as S corporations gained momentum March 16 with the introduction of a House bill related to these companies.

The House measure was introduced by Rep. Peter Hoagland, D-Neb., a member of the tax-writing Ways and Means Committee, and is similar to an S-corporation reform measure introduced in the Senate in November by Sens. David Pryor, D-Ark., and John C. Danforth, R-Mo.

The U.S. Chamber had worked hard to get both bills introduced.

The measures—H.R. 4056 in the House and S. 1690 in the Senate—would:

- Provide broader eligibility rules for S corporations and shareholders, enhancing the availability and desirability of S-corporation status.

In a Subchapter S corporation, profits and losses flow to individual shareholders, and income is taxed only once, at the personal tax level. With a regular corporation, dividends are taxed twice—as profits to the company and as dividends to the shareholders.

There are currently 1.6 million small firms organized as S corporations.

- Simplify complex rules for S corporations and shareholders and expand capital-formation techniques available to S corporations. The purpose is to help create a more level playing field with other kinds of corporations and partnerships.

This would be accomplished by increasing the allowable number of shareholders for S corporations to 50 from 35 and by letting tax-exempt organizations and financial institutions be eligible shareholders.

- Help preserve family-owned businesses by permitting S-corporation owners to place their stock in a variety of trust arrangements.

The U.S. Chamber is working with a coalition of trade associations and businesses to foster reform and to attract additional co-sponsors for the measures.

Contact your senators and representative, and urge them to support the S-corporation reform legislation. Call (202) 225-3121, or write U.S. House of Representatives, Washington, D.C. 20515; U.S. Senate, Washington, D.C. 20510.



## ■ Communication

# State Satellite Network Takes Shape

Installation is progressing on a nationwide satellite network that will link state chambers of commerce with the U.S. Chamber of Commerce in Washington and expand the power of the organization's grass-roots operation.

Eleven state chambers have installed or will soon install satellite dishes to receive programs broadcast from the Chamber, and 21 other state chambers are preparing to receive their dishes.

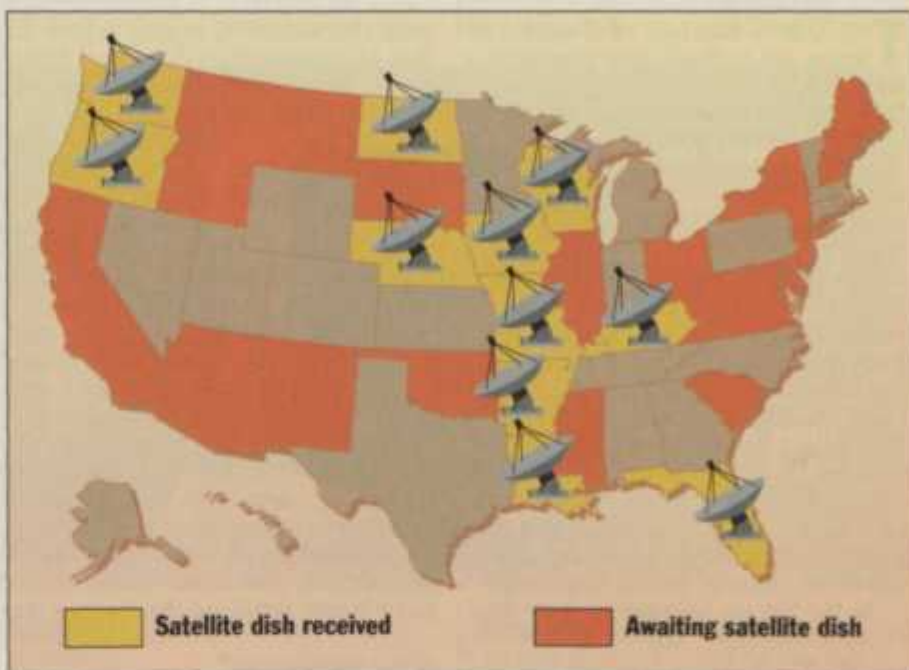
In Idaho, the Boise Area Chamber of Commerce also has agreed to become part of the U.S. Chamber's satellite network and is awaiting its dish. (See the map on this page.)

The satellite dishes are being donated to the Chamber by Comsat Corp., of Washington, D.C., and Radiation Systems Inc., of Sterling, Va.

When the satellite system is complete, U.S. Chamber members throughout the country will be able to participate more easily in interactive town-hall-type meetings broadcast from the Chamber's Washington headquarters.

The organization broadcast such meetings last year to rally support for the North American Free Trade Agreement and to push national education-reform measures.

The popular quality-management seminars produced by the Quality



Learning Services Division of the U.S. Chamber are also available to sites with satellite dishes. (For information on the fall seminar series, see Page 112.)

The satellite network is one of the latest moves by the Chamber to enhance its grass-roots operations. The organization's Grassroots Action Information

Network (GAIN), linking activists on legislative and regulatory issues, began operation in September.

For more information about the satellite dishes, contact the U.S. Chamber's Dick Loomis at (202) 463-5580 or Milt Miller at (202) 463-5427.

## ■ Education

# 'Goals 2000' Law Enacted

Education legislation strongly supported by the U.S. Chamber of Commerce was signed into law by President Clinton on March 31.

The Goals 2000: Educate America Act codifies the original national education goals established in 1989 by then-President Bush and the nation's governors and adds two new goals.

- The education goals seek to:
- Ensure that all children begin school ready to learn.
  - Increase the high-school graduation rate to at least 90 percent.
  - Require proficiency in English, math, science, and other major subjects.
  - Attain a No. 1 world ranking in math and science.



**"The business community, particularly the U.S. Chamber of Commerce, has really been at the forefront of our efforts to reform education."**

—Richard Riley,  
U.S. Secretary of Education

■ Ensure that all adults are literate.

■ Have drug- and violence-free schools.

■ Encourage parental involvement in education.

■ Encourage professional development for teachers.

The law also authorizes up to \$400 million in grants for state education-reform efforts.

U.S. Education Secretary Richard Riley praised the business community for its support of the Goals 2000

legislation at a recent address at the U.S. Chamber.

"The business community, particularly the U.S. Chamber of Commerce, has really been at the forefront of our efforts to reform education," he said.

Riley noted that the Goals 2000 measure is "central" to the Clinton administration's strategy for reforming the education system.



## Taxes And Spending

# It's Thank-You Time On Budget Idea

The U.S. Chamber of Commerce urges you to thank your representative if he or she voted for a balanced-budget amendment to the Constitution.

If your representative voted against an amendment, the Chamber urges you to express your disapproval.

The House rejected the resolution calling for a balanced-budget amendment March 17, following the Senate's disapproval of a similar measure March 1. The House measure (H.J. Res. 103), sponsored by Reps. Charles W. Stenholm, D-Texas, and Bob Smith, R-Ore., fell 12 votes shy of the two-thirds majority needed for passage.

In the Senate, proponents were four

votes short of the 67 needed to pass S.J. Res. 41, sponsored by Sens. Paul Simon, D-Ill., Orrin G. Hatch, R-Utah, and Larry E. Craig, R-Idaho.

"I continue to believe that a balanced-budget amendment is the only way to control federal spending," Smith told *The Business Advocate* after the vote. Despite the defeat, Smith said, "the vote was important in keeping continual pressure on the Congress."

The resolutions are unlikely to be considered again this year but are expected to be pushed again in 1995.

Under the proposed constitutional amendment, a balanced budget would have been achieved by restricting

Congress' ability to approve spending that exceeds revenues. The amendment would have also required a constitutional majority—51 votes in the Senate and 218 in the House—to approve tax hikes. Currently, only a simple majority of members voting in each house must approve.

If the House and Senate had approved the balanced-budget measure, the constitutional amendment would have had to be ratified by 38 states.

To thank your representative for voting for H.J. Res. 103 or to express disapproval for a vote against the measure, call (202) 225-3121, or write U.S. House of Representatives, Washington, D.C. 20515. Preceding the names of representatives in the listing below are the lawmakers' district numbers. (The list of Senate votes appeared in the April *Business Advocate*.)



### Voted For The Amendment

#### ALABAMA

- (1) Callahan (R)
- (2) Everett (R)
- (3) Browder (D)
- (4) Bevil (D)
- (5) Cramer (D)
- (6) Bachus (R)

#### ALASKA

- (AL) Young, Don (R)

#### ARIZONA

- (1) Coppersmith (D)
- (3) Stump (R)
- (4) Kyl (R)
- (5) Kolbe (R)
- (6) English (D)

#### ARKANSAS

- (1) Lambert (D)
- (3) Hutchinson (R)
- (4) Dickey (R)

#### CALIFORNIA

- (2) Herger (R)
- (4) Doolittle (R)
- (10) Baker, Bill (R)
- (11) Pombo (R)
- (12) Lantos (D)
- (18) Condit (D)
- (20) Dooley (D)
- (21) Thomas, William (R)
- (22) Huffington (R)
- (23) Gallegly (R)
- (25) McKeon (R)
- (27) Moorhead (R)
- (28) Dreier (R)
- (31) Martinez (D)
- (36) Harman (D)
- (38) Horn (R)

#### (39) Royce (R)

- (40) Lewis, Jerry (R)
- (41) Kim (R)
- (43) Calvert (R)
- (44) McCandless (R)
- (45) Rohrabacher (R)
- (46) Dornan (R)
- (47) Cox (R)
- (48) Packard (R)
- (49) Schenk (D)
- (51) Cunningham (R)
- (52) Hunter (R)

#### COLORADO

- (3) McClinnis (R)
- (4) Allard (R)
- (5) Hefley (R)
- (6) Schaefer (R)

#### CONNECTICUT

- (4) Shays (R)
- (5) Franks, Gary (R)
- (6) Johnson, Nancy (R)

#### DELAWARE

- (AL) Castle (R)

#### FLORIDA

- (1) Hutto (D)
- (2) Peterson, Pete (D)
- (4) Fowler (R)
- (6) Stearns (R)
- (7) Mica (R)
- (8) McCollum (R)
- (9) Bilirakis (R)
- (10) Young, Bill (R)
- (12) Canady (R)
- (13) Miller, Dan (R)
- (14) Goss (R)
- (15) Bacchus (D)
- (16) Lewis, Tom (R)

#### (18) Ros-Lehtinen (R)

- (19) Johnston, Harry (D)
- (20) Deutsch (D)
- (21) Diaz-Balart (R)
- (22) Shaw (R)

#### GEORGIA

- (1) Kingston (R)
- (2) Bishop (D)
- (3) Collins, Mac (R)
- (4) Linder (R)
- (6) Gingrich (R)
- (7) Darden (D)
- (8) Rowland (D)
- (9) Deal (D)
- (10) Johnson, Don (D)

#### IDAHO

- (1) LaRocco (D)
- (2) Crapo (R)

#### ILLINOIS

- (3) Lipinski (D)
- (6) Hyde (R)
- (8) Crane (R)
- (10) Porter (R)
- (11) Sangmeister (D)
- (12) Costello (D)
- (13) Fawell (R)
- (14) Hastert (R)
- (15) Ewing (R)
- (16) Manzullo (R)
- (19) Poshard (D)

#### INDIANA

- (2) Sharp (D)
- (3) Roemer (D)
- (4) Long (D)
- (5) Buyer (R)
- (6) Burton (R)
- (7) Myers, John (R)
- (8) McCloskey (D)

#### (10) Jacobs (D)

#### IOWA

- (1) Leach (R)
- (2) Nussle (R)
- (3) Lightfoot (R)

#### KANSAS

- (1) Roberts (R)
- (3) Meyers, Jan (R)
- (4) Glickman (D)

#### KENTUCKY

- (3) Mazzoli (D)
- (4) Bunning (R)
- (5) Rogers (R)
- (6) Baesler (D)

#### LOUISIANA

- (1) Livingston (R)
- (3) Tauzin (D)
- (5) McCrery (R)
- (6) Baker, Richard (R)
- (7) Hayes (D)

#### MAINE

- (2) Snowe (R)

#### MARYLAND

- (1) Gilchrest (R)
- (2) Bentley (R)
- (5) Hoyer (D)
- (6) Bartlett (R)
- (8) Morella (R)

#### MASSACHUSETTS

- (3) Blute (R)
- (5) Meehan (D)
- (6) Torkildsen (R)
- (8) Kennedy (D)

#### MICHIGAN

- (2) Hoekstra (R)
- (3) Ehlers (R)
- (4) Camp (R)

#### (5) Barcia (D)

- (6) Upton (R)
- (7) Smith, Nick (R)
- (8) Carr (D)
- (11) Knollenberg (R)

#### MINNESOTA

- (1) Penny (D)
- (2) Minge (D)
- (3) Ramstad (R)
- (5) Grams (R)
- (7) Peterson, Collin (D)

#### MISSISSIPPI

- (1) Whitten (D)
- (3) Montgomery (D)
- (4) Parker (D)
- (5) Taylor, Gene (D)

#### MISSOURI

- (2) Talent (R)
- (4) Skelton (D)
- (6) Danner (D)
- (7) Hancock (R)
- (8) Emerson (R)
- (9) Volkmer (D)

#### NEBRASKA

- (1) Bereuter (R)
- (2) Hoagland (D)
- (3) Barrett, Bill (R)

#### NEVADA

- (1) Bilbray (D)
- (2) Vucanovich (R)

#### NEW HAMPSHIRE

- (1) Zeiliff (R)
- (2) Swett (D)

#### NEW JERSEY

- (1) Andrews, Robert (D)
- (3) Saxton (R)
- (4) Smith, Christopher (R)

#### (5) Roukema (R)

- (6) Pallone (D)
- (7) Franks, Bob (R)
- (9) Torricelli (D)
- (12) Zimmer (R)

#### NEW MEXICO

- (1) Schiff (R)
- (2) Skeen (R)
- (3) Richardson (D)

#### NEW YORK

- (2) Lazio (R)
- (3) King (R)
- (4) Levy (R)
- (13) Molinari (R)
- (19) Fish (R)
- (21) McNulty (D)
- (22) Solomon (R)
- (23) Boehlert (R)
- (24) McHugh (R)
- (25) Walsh (R)
- (27) Paxon (R)
- (30) Quinn (R)
- (31) Houghton (R)

#### NORTH CAROLINA

- (2) Valentine (D)
- (3) Lancaster (D)
- (5) Neal, Stephen (D)
- (6) Coble (R)
- (8) Hefner (D)
- (9) McMillan (R)
- (10) Ballenger (R)
- (11) Taylor, Charles (R)

#### OHIO

- (1) Mann (D)
- (2) Portman (R)
- (4) Oxley (R)
- (5) Gilmor (R)
- (7) Hobson (R)
- (8) Boehner (R)



- (10) Hoke (R)  
 (12) Kasich (R)  
 (13) Brown, Sherrod (D)  
 (15) Pryce, Deborah (R)  
 (16) Regula (R)  
 (19) Fingerhut (D)

**OKLAHOMA**

- (1) Inhofe (R)  
 (3) Brewster (D)  
 (4) McCurdy (D)  
 (5) Istook (R)  
 (6) Vacant

**OREGON**

- (2) Smith, Bob (R)  
 (4) DeFazio (D)

**PENNSYLVANIA**

- (5) Clinger (R)  
 (7) Weldon (R)  
 (8) Greenwood (R)  
 (9) Shuster (R)  
 (10) McDade (R)  
 (15) McHale (D)  
 (16) Walker (R)  
 (17) Gekas (R)  
 (18) Santorum (R)  
 (19) Goodling (R)  
 (21) Ridge (R)

**RHODE ISLAND**

- (1) Machtley (R)

**SOUTH CAROLINA**

- (1) Ravenel (R)  
 (2) Spence (R)  
 (3) Derrick (D)  
 (4) Inglis (R)  
 (5) Spratt (D)

**SOUTH DAKOTA**

- (AL) Johnson, Tim (D)

**TENNESSEE**

- (1) Quillen (R)  
 (2) Duncan (R)  
 (3) Lloyd (D)  
 (4) Cooper (D)  
 (5) Clement (D)  
 (6) Gorton (D)  
 (7) Sundquist (R)  
 (8) Tanner (D)

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- (1) Quillen (R)  
 (2) Duncan (R)  
 (3) Lloyd (D)  
 (4) Cooper (D)  
 (5) Clement (D)  
 (6) Gorton (D)  
 (7) Sundquist (R)  
 (8) Tanner (D)

**TENNESSEE**

- (1) Quillen (R)  
 (2) Duncan (R)  
 (3) Lloyd (D)  
 (4) Cooper (D)  
 (5) Clement (D)  
 (6) Gorton (D)  
 (7) Sundquist (R)  
 (8) Tanner (D)

**TENNESSEE**

- (1) Quillen (R)  
 (2) Duncan (R)  
 (3) Lloyd (D)  
 (4) Cooper (D)  
 (5) Clement (D)  
 (6) Gorton (D)  
 (7) Sundquist (R)  
 (8) Tanner (D)

**TEXAS**

- (1) Chapman (D)  
 (2) Wilson (D)  
 (3) Johnson, Sam (R)  
 (4) Hall, Ralph (D)  
 (5) Bryant (D)  
 (6) Barton (R)  
 (7) Archer (R)  
 (8) Fields, Jack (R)  
 (10) Pickle (D)  
 (11) Edwards, Chet (D)  
 (12) Geren (D)  
 (13) Sarpalius (D)  
 (14) Laughlin (D)  
 (15) de la Garza (D)  
 (17) Stenholm (D)  
 (19) Combest (R)  
 (21) Smith, Lamar (R)  
 (22) DeLay (R)  
 (23) Bonilla (R)  
 (24) Frost (D)  
 (25) Andrews, Michael (D)  
 (26) Armey (R)  
 (27) Ortiz (D)

**UTAH**

- (1) Hansen (R)  
 (2) Shepherd (D)  
 (3) Orton (D)

**VIRGINIA**

- (1) Bateman (R)  
 (4) Siskiy (D)  
 (5) Payne, Lewis (D)  
 (6) Goodlatte (R)  
 (7) Bailey (R)  
 (8) Moran (D)  
 (10) Wolf (R)

**WASHINGTON**

- (4) Inslee (D)  
 (8) Dunn (R)

**WISCONSIN**

- (2) Klug (R)  
 (3) Gunderson (R)  
 (6) Petri (R)  
 (8) Roth (R)  
 (9) Sensenbrenner (R)

**WYOMING**

- (AL) Thomas, Craig (R)

- (11) Gibbons (D)  
 (17) Meek (D)

**GEORGIA**

- (5) Lewis, John (D)  
 (11) McKinney (D)

**HAWAII**

- (1) Abercrombie (D)  
 (2) Mink (D)

- (10) Bonior (D)  
 (12) Levin (D)  
 (13) Ford, William (D)  
 (14) Conyers (D)  
 (15) Collins, B. (D)  
 (16) Dingell (D)

**MINNESOTA**

- (4) Vento (D)  
 (5) Sabo (D)

**OHIO**

- (3) Hall, Tony (D)  
 (6) Strickland (D)  
 (9) Kaptur (D)  
 (11) Stokes (D)  
 (14) Sawyer (D)  
 (17) Traficant (D)  
 (18) Applegate (D)

**TENNESSEE**

- (9) Ford, Harold (D)

**TEXAS**

- (9) Brooks (D)  
 (16) Coleman (D)  
 (18) Washington (D)  
 (20) Gonzalez (D)  
 (28) Tejeda (D)  
 (30) Johnson, Eddie (D)



*"I continue to believe that a balanced-budget amendment is the only way to control federal spending."*

—Rep. Bob Smith, R-Ore.

**ILLINOIS**

- (1) Rush (D)  
 (2) Reynolds (D)  
 (4) Gutierrez (D)  
 (5) Rostenkowski (D)  
 (7) Collins, Cardiss (D)  
 (9) Yates (D)  
 (17) Evans (D)  
 (20) Durbin (D)

**INDIANA**

- (1) Visclosky (D)  
 (9) Hamilton (D)

**IOWA**

- (4) Smith, Neal (D)

**KANSAS**

- (2) Slattery (D)

**KENTUCKY**

- (1) Barlow (D)

**LOUISIANA**

- (2) Jefferson (D)  
 (4) Fields, Cleo (D)

**MAINE**

- (1) Andrews, Thomas (D)

**MARYLAND**

- (3) Cardin (D)  
 (4) Wynn (D)  
 (7) Mitome (D)

**MASSACHUSETTS**

- (1) Oliver (D)  
 (2) Neal, Richard (D)  
 (4) Frank, Barney (D)  
 (7) Markey (D)  
 (9) Moakley (D)  
 (10) Studds (D)

**MICHIGAN**

- (1) Stupak (D)  
 (9) Kildee (D)

- (8) Oberstar (D)

**MISSISSIPPI**

- (2) Thompson (D)

**MISSOURI**

- (1) Clay (D)  
 (3) Gephardt (D)  
 (5) Wheat (D)

**MONTANA**

- (AL) Williams (D)

**NEW JERSEY**

- (2) Hughes (D)  
 (8) Klein (D)  
 (13) Menendez (D)

**NEW YORK**

- (1) Hochbrueckner (D)  
 (5) Ackerman (D)  
 (6) Flake (D)  
 (8) Nadler (D)  
 (9) Schumer (D)  
 (10) Towns (D)  
 (11) Owens (D)  
 (12) Velazquez (D)  
 (14) Maloney (D)  
 (15) Rangel (D)  
 (16) Serrano (D)  
 (17) Engel (D)  
 (18) Lowey (D)  
 (20) Gilman (R)  
 (26) Hinchey (D)  
 (28) Slaughter (D)  
 (29) LaFalce (D)

**NORTH CAROLINA**

- (1) Clayton (D)  
 (4) Price, David (D)  
 (7) Rose (D)  
 (12) Watt (D)

**NORTH DAKOTA**

- (AL) Pomeroy (D)

**OKLAHOMA**

- (2) Synar (D)

**OREGON**

- (1) Furse (D)  
 (3) Wyden (D)  
 (5) Kopetski (D)

**PENNSYLVANIA**

- (1) Foglietta (D)  
 (2) Blackwell (D)  
 (3) Borski (D)  
 (4) Klink (D)  
 (6) Holden (D)  
 (11) Kanjorski (D)  
 (12) Murtha (D)  
 (13) Margolies-Mezvinsky (D)  
 (14) Coyne (D)  
 (20) Murphy (D)

**RHODE ISLAND**

- (2) Reed (D)

**SOUTH CAROLINA**

- (6) Clyburn (D)

**VERMONT**

- (AL) Sanders (Ind)

**VIRGINIA**

- (2) Pickett (D)  
 (3) Scott (D)  
 (9) Boucher (D)  
 (11) Byrne (D)

**WASHINGTON**

- (1) Cantwell (D)  
 (2) Swift (D)  
 (3) Unsoeld (D)  
 (6) Dicks (D)  
 (7) McDermott (D)  
 (9) Kriedler (D)

**WEST VIRGINIA**

- (1) Mollohan (D)  
 (2) Wise (D)  
 (3) Rahall (D)

**WISCONSIN**

- (1) Barca (D)  
 (4) Kleczka (D)  
 (5) Barrett, Thomas (D)  
 (7) Obey (D)

## Voted Against The Amendment

**ALABAMA**

- (7) Hilliard (D)

**ARIZONA**

- (2) Pastor (D)

**ARKANSAS**

- (2) Thornton (D)

**CALIFORNIA**

- (1) Hamburg (D)  
 (3) Fazio (D)  
 (6) Matsui (D)  
 (7) Woolsey (D)  
 (8) Miller, George (D)  
 (9) Pelosi (D)  
 (13) Stark (D)  
 (14) Eshoo (D)  
 (15) Mineta (D)  
 (16) Edwards, Don (D)  
 (19) Lehman (D)  
 (24) Beilenson (D)

- (26) Berman (D)  
 (29) Waxman (D)  
 (30) Becerra (D)  
 (32) Dixon (D)  
 (33) Roybal-Allard (D)  
 (34) Torres (D)  
 (35) Waters (D)  
 (37) Tuckier (D)  
 (42) Brown, George (D)  
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 (32) Dixon (D)  
 (33) Roybal-Allard (D)  
 (34) Torres (D)  
 (35) Waters (D)  
 (37) Tuckier (D)  
 (42) Brown, George (D)  
 (50) Filner (D)

## Did Not Vote

**CALIFORNIA**

- (17) Farr (D)

**FLORIDA**

- (23) Hastings (D)

**ILLINOIS**

- (18) Michel (R)

**IOWA**

- (5) Grandy (R)

**KENTUCKY**

- (2) Natcher (D)

**NEW JERSEY**



## ■ In Conference

# Panel Urged To Keep Regulation Measures

A Senate bill that contains two provisions to ease federal regulation is in the hands of a conference committee along with a competing House bill that lacks similar pro-business measures.

The U.S. Chamber of Commerce was instrumental in winning the addition of the measures to the Senate version of the National Competitiveness Act. The competitiveness bill would authorize \$1.9 billion for the U.S. Commerce Department over two years to promote U.S. products and processes through public-private research and development.

The Chamber is now pressing to have the provisions that would ease regulations included in the final conference bill. The pro-business provisions were sponsored by Sens. Malcolm Wallop, R-Wyo., and Don Nickles, R-Okla.

Wallop's measure would authorize judicial review of federal agencies' compliance with the Regulatory Flexibility Act, which requires departments of the government to consider the impact of the rules they propose on small businesses.

Wallop's provision is important because while the U.S. Small Business Administration is charged with "enforcing" the 1980 act, the statute expressly bars enforcement by the courts and contains no provision on how the SBA should handle failure to comply.

Meanwhile, Nickles' provision, called the Economic and Employment Impact Act, would require that all legislation considered by Congress and all regulations proposed by federal agencies be accompanied by an analysis of how they would affect the economy and employment.

According to a Chamber letter to lawmakers, which Wallop inserted into the legislative record, the court review provision is "the crucial ingredient necessary to make the [act] work as originally intended."

"The RFA was never intended to relieve small business of its responsibilities, but rather to ensure ease of compliance," the Chamber noted. "Small businesses have too often borne the brunt of the cumulative impact of federal mandates."

The Nickles proposal is a "critical step in ensuring that costs are not un-



Sens. Don Nickles, R-Okla., (left) and Malcolm Wallop, R-Wyo., are the sponsors of measures that could help limit regulatory burdens on businesses.

necessarily burdensome to American taxpayers and businesses," the Chamber said in a letter to lawmakers.

The Clinton administration is expected to urge the provisions' elimination.

The panel reconciling differences between the House and Senate competi-

tiveness measures is not expected to send a final bill to both houses of Congress until after a Memorial Day recess, scheduled for May 28 to June 6.

*Contact your senators and representative immediately. Ask them to urge conferees on the National Competitiveness Act to retain the Wallop and Nickles provisions dealing with, respectively, the Regulatory Flexibility Act and the Economic and Employment Impact Act. Call the Capitol switchboard at (202) 224-3121.*

## ■ Legislation

# ERISA Bill Poses Threat

Legislation that would allow states to dictate to employers the wage and benefit packages they provide to workers is ready for Senate floor action.

The bill, sponsored by Sens. Arlen Specter, R-Pa., and Alfonse M. D'Amato, R-N.Y., would strike the preemption provision of the federal Employment Retirement Income Security Act (ERISA).

ERISA was adopted in 1974 to encourage the growth of employee-benefit plans among businesses by creating uniform federal regulations.

Under the Specter-D'Amato bill, S. 1580, states could require minimum benefit packages, mandate payment of prevailing wages, and set standards for training programs for employers working on private or public construction projects. The House has already passed a similar bill, H.R. 1036.

Currently, some states require employers working on publicly funded projects to pay their workers the highest wages and benefits already being paid in an area. Those prevailing wages and benefits are usually dictated by local union contracts. The ERISA pre-emption bill could force nonunion employers to pay union wages and benefits to their employees for work on all projects.

The legislation would also allow states to direct companies and employees to join only those apprenticeship and training programs approved by state apprenticeship councils, which often are dominated by unions.

*Call your senators immediately, and urge them to oppose S. 1580, the Specter-D'Amato ERISA pre-emption bill. Call the Capitol Hill switchboard at (202) 224-3121.*



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## ■ First Business



"First Business," anchored by Barton Eckert, has a new time slot on the USA Network. The program now airs at 6 a.m. Eastern and Pacific times and 5 a.m. Central time. (For Mountain time, check local listings.) In addition, the Chamber's news show—which previously aired only via cable on the USA Network and via the U.S. Information Agency's WORLDNET satel-

lite system—is now also available to broadcast stations and regional cable outlets for time slots following the show's air times on the USA Network. Beginning May 2, the program, sponsored by Connecticut Mutual Life Insurance Co., will be available in Latin America via USA Latin America, a service of the USA Network. The camera man shown here is Steve Groff.

## ■ Quality Management

# Fall Seminars Slated

The importance of trust within a business will be the opening topic in the fall series of 11 satellite seminars produced by the U.S. Chamber of Commerce's Quality Learning Services Division.

John O. Whitney, director of the W. Edwards Deming Center for Quality Management at Columbia University, will lead the first seminar Sept. 14.

The seminar's title is the same as the title of Whitney's book, *The Trust Factor* (McGraw-Hill), in which the author argues that "mistrust doubles the cost of doing business. An enterprise that is at war with itself," Whitney says, "will not have the strength or focus to survive and thrive in today's competitive environment."

The dates, hosts, and subjects for the other 10 seminars in the fall management series are:

■ Sept. 20: Author Robert Shulman, "Marketing Myths That Are Killing Business."

■ Sept. 27: Brian Joiner, CEO of the Joiner Associates consulting firm, "Management by Fact: Are You Making Things Better or Worse?"

■ Oct. 4: Author and consultant Michael E. Gerber, "The E-Myth: Why Most Businesses Don't Work and What to Do About It."

■ Oct. 11: G. Howland Blackiston, president of the Juran Institute, "Designing Quality into New or Existing

Products and Services."

■ Oct. 18: A. Blanton Godfrey, chairman of the Juran Institute, "Quality Improvement Tools with Today's New Technology."

■ Oct. 25: David Hanna, senior consultant at the Covey Leadership Center (founded and headed by Stephen R. Covey), "Developing a High Performance Culture: Managing the Moments of Truth."

■ Nov. 1: Author and consultant Peter Scholtes, "Motivating Employees—Myth or Reality?"

## ■ Call Now

# Civil-Penalties Vote Due Soon

A measure that would dramatically increase nearly all federal civil penalties is one step from becoming law.

The provision is in the Clinton administration's 240-section National Performance Review bill (H.R. 3400), which has been passed by the House and is ready for a Senate vote.

The measure would index all federal civil monetary penalties—except those related to the Internal Revenue Code—

■ Nov. 8: Brian Joiner, "The Power of Believing in People."

■ Nov. 29: Keith Gullledge, senior consultant at the Covey Leadership Center, "Increasing Quality Performance with Principle-Centered Leadership."

■ Dec. 6: Author Joel Barker, "Paradigm Hunting: How to Exploit the Future More Effectively."

All seminars will air from 1 to 3 p.m. Eastern time. For one to four programs, the price is \$795 per program; five to nine programs, \$715 per program; and 10 or 11 programs, \$675 per program. There is a \$100 discount for those who register by July 1. U.S. Chamber members, governments, and educational institutions are entitled to a 5 percent discount.

For more information, call Quality Learning Services at 1-800-835-4730.

to the rate of inflation. Also under the provision, federal agencies would be required to adjust their penalties at least every four years. The provision also would require agencies to adjust their penalties immediately to reflect past inflation back to the year the penalties were set or last adjusted.

The U.S. Chamber of Commerce is asking its members to urge their senators to strip the measure from the reauthorizing-government bill when it comes up for a vote.

*Call your senators immediately—(202) 224-3121—and urge them to support elimination of the section increasing civil penalties in the National Performance Review bill (H.R. 3400).*